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Department of Defense



Transition Planning for the Logistics Civil Augmentation Program IV Contract

Report Documentation Page

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Acronyms and Abbreviations

ACO	Administrative Contracting Officer
ASC	Army Sustainment Command
COR	Contracting Officer's Representative
DCMA	Defense Contract Management Agency
DPD	Deputy Program Director
LOGCAP	Logistics Civil Augmentation Program
PCO	Procuring Contracting Officer
QAR	Quality Assurance Representative



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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ARLINGTON, VIRGINIA 22202-4704

September 25, 2009

MEMORANDUM FOR DIRECTOR, DEFENSE CONTRACT MANAGEMENT
AGENCY
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Transition Planning for the Logistics Civil Augmentation Program IV Contract
(Report No. D-2009-114)

We are providing this report for review and comment. We considered comments from the Executive Director, Logistics Civil Augmentation Program, and the Commander, Defense Contract Management Agency International, when preparing the final report.

DOD Directive 7650.3 requires that all recommendations be resolved promptly. While some of the comments from the Executive Director, Logistics Civil Augmentation Program, and the Commander, Defense Contract Management Agency International, were responsive, some were not. In response to management comments, we revised draft report Recommendations B.2 and D.7.d. Therefore, we request additional comments and documents for the recommendations listed in the recommendations table on page ii of this report by October 26, 2009.

Please provide comments that conform to the requirements of DOD Directive 7650.3. If possible, send a .pdf file containing management comments to audacm@dodig.mil. Copies of management comments must have the actual signature of the authorizing official for your organization. We cannot accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8900 (DSN 664-8900).

A handwritten signature in black ink, appearing to read "Mary L. Ugone".

Mary L. Ugone
Deputy Inspector General
for Auditing



Results in Brief: Transition Planning for the Logistics Civil Augmentation Program IV Contract

What We Did

We determined whether the Army adequately planned for the transition from the Logistics Civil Augmentation Program (LOGCAP) III to the LOGCAP IV contract. This audit focused on the task orders for the transferring of work in Kuwait.

What We Found

Although the LOGCAP office planned for the transfer of 11 task orders, which accounted for \$5 billion of \$31 billion spent on the LOGCAP III contract, to new performance contractors, planning efforts still needed improvement. We identified internal control weaknesses in planning, controlling costs, and overseeing property and contractors.

- The LOGCAP office did not validate that all organizations involved in the transfer process had the most up-to-date version of the transition plan (Finding A).
- Despite spending \$31 billion on LOGCAP III work, the LOGCAP procuring contracting officer did not develop a standard performance work statement or identify goods and services that could be acquired under firm-fixed-price task orders, both of which would have reduced costs to the Army (Finding B).
- The LOGCAP office did not properly oversee \$4 billion in LOGCAP property and has no assurance that all Government property will transfer to new performance contractors (Finding C).
- The quality assurance representative and contracting officer's representatives (CORs) in Kuwait did not evaluate contractor performance on a consistent and routine basis (Finding D).

What We Recommend

- The Executive Director, LOGCAP, should finalize all transfer procedures, distribute the

current transition plan to all organizations involved in the transfer, and ensure that all personnel perform transition functions as delegated. The Executive Director should also ensure that the procuring contracting officer develops a standard performance work statement, establishes a plan to identify goods and services that can be acquired using firm-fixed-price task orders, and develops a pricing model to assist in requirements generation. Lastly, the Executive Director should require that a Defense Contract Management Agency (DCMA) property administrator maintain a Government list to track LOGCAP property.

- The Commander, DCMA International, should identify a process to hold officials accountable for not completing requirements, should assess the quality officials' workload, and should provide additional training. The Commander should also direct the LOGCAP quality assurance representative to update review checklists, conduct the required number of reviews, assist CORs as required, and verify that personnel perform their functions in accordance with DCMA policy.

Management Comments and Our Response

We received comments from the Executive Director, LOGCAP, and the Commander, DCMA International. The Executive Director and the Commander made many statements that disagreed with the recommendations. However, many of their comments described actions that were taken that met the intent of the recommendations. For others, we require additional comments and more documentation. Please see the recommendations table on the back of this page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Executive Director, Logistics Civil Augmentation Program	A.2, A.3, A.4.a, A.4.b, B.1, and B.2	A.1, A.4.c, and C
Commander, Defense Contract Management Agency International	D.1, D.2, D.3, D.4, D.7.a, D.7.b, D.7.d, and D.7.e	D.5, D.6, and D.7.c,

Please provide comments by October 26, 2009.

Table of Contents

Introduction	1
Objectives	1
Background	1
Review of Internal Controls	3
Finding A. Transition Planning	4
Recommendations, Management Comments, and Our Response	8
Finding B. Implementation of Cost Controls in the Acquisition Plan	13
Recommendations, Management Comments, and Our Response	15
Finding C. Oversight of Property	18
Recommendation, Management Comments, and Our Response	20
Finding D. Oversight of Contractors	21
Recommendation, Management Comments, and Our Response	25
Appendices	
A. Scope and Methodology	31
Prior Coverage	32
B. Kuwait Task Orders	34
C. Management Comments on Finding B and Our Response	35
Management Comments	
Logistics Civil Augmentation Program Office	37
Defense Contract Management Agency International	52

Introduction

Objectives

Our audit objective was to determine whether the Army adequately planned for the transition from the Logistic Civil Augmentation Program (LOGCAP) III contract to the LOGCAP IV contract. See Appendix A for a discussion of the scope and methodology and prior audit coverage related to the audit objectives.

We performed this audit pursuant to Public Law 110-181, “The National Defense Authorization Act for Fiscal Year 2008,” section 842, “Investigation of Waste, Fraud, and Abuse in Wartime Contracts and Contracting Processes in Iraq and Afghanistan,” January 28, 2008. Section 842 requires thorough investigation and auditing to identify potential waste, fraud, and abuse in the performance of DOD contracts, subcontracts, and task and delivery orders for the logistical support of coalition forces in Iraq and Afghanistan. Further, section 842 requires thorough investigation and auditing of Federal agency contracts, subcontracts, and task and delivery orders for the performance of security and reconstruction functions in Iraq and Afghanistan. DOD plans to transfer logistics support for contingency operations in Kuwait, Iraq, and Afghanistan from the LOGCAP III contractor to the LOGCAP IV contractors. This audit focused on the task orders for the transferring of work in Kuwait; however, the Army Sustainment Command (ASC) will use the Kuwait transition work as the benchmark for transitioning work in Iraq and Afghanistan.

Background

In December 1985, the Army developed LOGCAP to provide contractor logistics support to U.S. military forces worldwide. ASC was the LOGCAP executive agent with overall program management responsibilities until September 2008. On October 1, 2008, even though the Army Contracting Command became the executive agent, ASC still acted as the executive agent for LOGCAP. To date, the Army has awarded four LOGCAP contracts.

LOGCAP Contractors

The LOGCAP III contract relied on only one contractor. ASC developed a new strategy for awarding the LOGCAP IV as multiple contracts. In April 2008, ASC awarded LOGCAP IV to three contractors—Kellogg, Brown, and Root; Fluor; and DynCorp (the LOGCAP IV contractors). The LOGCAP IV includes indefinite-delivery, indefinite-quantity contracts in which the contractors provide services during contingency operations.¹ Currently, DOD has a need for logistics support for contingency operations in Kuwait, Iraq, and Afghanistan that will transfer services to LOGCAP IV. All contractors are required to compete for every task order issued under the LOGCAP IV contract. The

¹ A contingency operation is a military operation designated by the Secretary of Defense as an operation in which members of the armed forces become involved in military actions against an enemy or opposing military force; or results in call to duty of uniformed services under any provision of law during a war or national emergency declared by the President or Congress.

contract awarded to each LOGCAP IV contractor has a potential contract value of \$5 billion per year; the three contracts have an annual potential value of \$15 billion. Each contract includes 1 base year with 9 option years. The three contracts collectively have a potential contract value of \$150 billion.

LOGCAP Task Orders

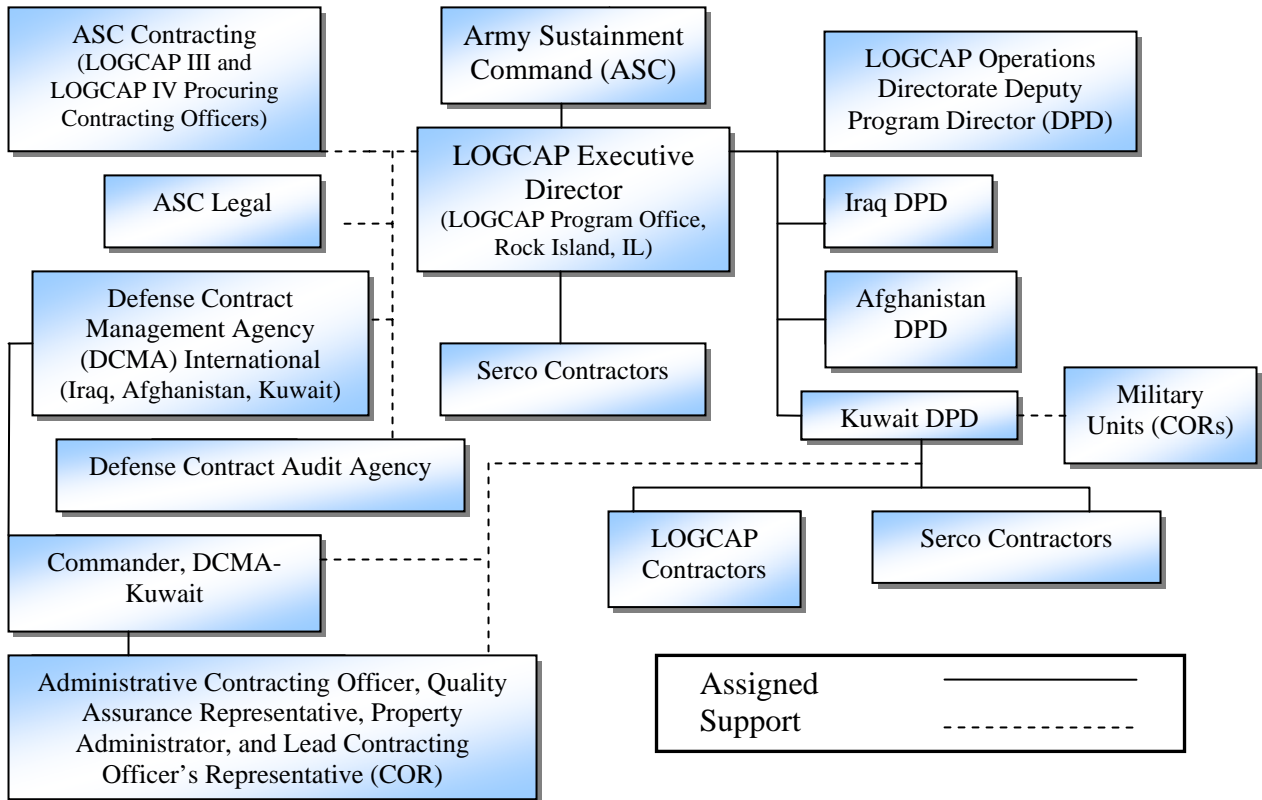
In addition to the above work, ASC is planning to transfer services from 11 task orders awarded under the LOGCAP III contract to the LOGCAP IV contracts. The 11 task orders cost the Army \$5 billion of the \$31 billion paid to the LOGCAP III contractor for the LOGCAP III contract. The task orders include two for services in Iraq, three for Kuwait (see Appendix B for details on the services provided under the Kuwait task orders), and six for Afghanistan. ASC planned to transfer the three task orders for Kuwait first, then the six task orders for Afghanistan, and the two task orders for Iraq last. The three Kuwait task orders were to be first because LOGCAP officials believed that transferring the task orders in Kuwait would be simpler than in Iraq or Afghanistan. Additionally, the LOGCAP office planned to use Kuwait as a benchmark for transferring task orders in Iraq and Afghanistan because the environment in Kuwait is more stable. Therefore, we focused our review on the transfer of services for Kuwait.

Transfer of Services in Kuwait

Planning for the transfer of services from the LOGCAP III to the LOGCAP IV began in April 2008 when the Army awarded the contracts to the three performance contractors² that will deliver services under the LOGCAP—Kellogg, Brown, and Root; Fluor; and DynCorp. ASC initially planned to begin the transfer of services in Kuwait in November 2008; however, protests by the LOGCAP III performance contractor postponed the transition. The task orders for Kuwait cost the Army approximately \$347 million, which included services for the Kuwait Area of Responsibility; Test, Measurement, and Diagnostic Equipment; and services for Udairi Airfield. The LOGCAP office began developing a transition plan containing procedures for transferring services from the LOGCAP III contractor to the LOGCAP IV contractors. The transfer procedures were to ensure that the operations of the LOGCAP mission and the warfighter would not be disrupted. The procedures were also to ensure that personnel involved in the transfer process understood their role and responsibilities. Figure 1 depicts the LOGCAP organizations involved in the transfer of services and their relationship to one another.

² A performance contractor conducts the work to provide the goods and services to the Army as stipulated in the contract.

Figure 1. LOGCAP Organization



On February 23, 2009, the transfer of services in Kuwait began. ASC is planning to transfer services for Afghanistan in October 2009. ASC is still determining what services should be transferred in Iraq, where operations are planned to decrease.

ASC made the Defense Contract Management Agency (DCMA) the administrator of the LOGCAP III and LOGCAP IV contracts. As contract administrator, DCMA provides acquisition support, contract management, and property accountability services for the LOGCAP contracts.

Review of Internal Controls

DOD Instruction 5010.40, “Managers’ Internal Control (MIC) Program Procedures,” January 4, 2006, requires DOD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses for LOGCAP. Specifically, the LOGCAP office needs to improve internal controls over LOGCAP transition planning, implementing cost-control methods, oversight of LOGCAP property, and DCMA administrative oversight. Implementing all recommendations will improve planning by the LOGCAP office and DCMA to transfer the 11 LOGCAP III task orders to the new performance contractors. A copy of this report will be provided to the senior officials responsible for internal controls for the Army and DCMA.

Finding A. Transition Planning

Although the LOGCAP office planned for the transfer of 11 LOGCAP III task orders to the new LOGCAP IV performance contractors, planning efforts still needed improvement. The 11 task orders cost the Army \$5 billion of the \$31 billion paid to the contractor for the LOGCAP III contract. As of March 2009, program officials had not adequately planned significant tasks for transferring LOGCAP property and work or established the Serco³ contractors' role and responsibilities in Kuwait. Planning was insufficient because the LOGCAP Executive Director did not ensure that all organizations involved in the transition process had the most up-to-date transition plan or finalize transfer procedures before the transfer of work began. Additionally, while the Deputy Program Director for Kuwait (DPD-Kuwait) developed a Kuwait plan, he did not involve all personnel in the planning process or include country-specific procedures. As a result, transition timelines may be delayed, and the sequence of events planned for the transfer of work may be disrupted. It is essential that the coordination and procedures improve so that the most critical transfer of work, planned for Iraq and Afghanistan, can be accomplished with minimal effect on the mission and warfighters in those countries.

Comprehensive Transition Plan

Throughout the course of the audit, LOGCAP officials provided us with multiple versions of a transition plan; however, each organization we visited provided a different version as the current transition plan or had no plan at all. The Executive Director did not validate that all organizations involved in the transition process had the most up-to-date version of the transition plan. The various plans were not signed, and some were not dated. On February 23, 2009, the Executive Director issued a comprehensive transition plan. Although the comprehensive plan was much improved, the Executive Director did not finalize transfer procedures before the transfer of work began. Specifically, the comprehensive plan did not include the Serco contractor role and responsibilities or DCMA procedures to transfer hazardous material and warehouse operations. The Executive Director should have included these procedures in the comprehensive plan because they apply to Kuwait as well as to transferring work in Iraq and Afghanistan.

Transfer of LOGCAP Property and Work

Although the LOGCAP office planned for the transfer of 11 LOGCAP III task orders to new performance contractors, planning efforts needed improvement. As previously stated, the Army paid approximately \$31 billion to the LOGCAP III contractor, of which \$5 billion was paid for work on the 11 task orders planned for transfer to the LOGCAP IV contractors. As of March 2009, program officials had not adequately planned significant tasks for transferring at least 1.1 million line items worth \$4 billion in LOGCAP property. The LOGCAP office had required DCMA to develop a property plan that included procedures for transferring LOGCAP property from the LOGCAP III contractor to the

³ Serco contractors provide administrative support to the LOGCAP office and contracting officials when executing LOGCAP contracts.

LOGCAP IV contractors by September 15, 2008. Additionally, the program office had required DCMA to develop procedures for determining when the LOGCAP IV incoming performance contractors have reached full operational capability⁴ and could fully perform LOGCAP work. However, the LOGCAP office never verified that DCMA officials developed the required procedures.

Procedures for Transferring Property

At the beginning of the audit, DCMA officials provided different versions of their property plan; however, none included procedures for transferring property from one contractor to the others. LOGCAP officials, DCMA, and the LOGCAP contractors all agreed that the transfer of LOGCAP property to new performance contractors in Kuwait would be the most difficult and cumbersome process to complete because of the amount of property that was scheduled to transfer. The lack of procedures caused confusion among DCMA officials. Specifically, DCMA-Houston and DCMA-Kuwait personnel described different procedures for transferring LOGCAP property in Kuwait.

A DCMA-Houston official and one of the LOGCAP IV contractors stated that the property and equipment would transfer directly from the LOGCAP III to the LOGCAP IV contractors. In addition, the DCMA-Houston official stated that the transfer would occur with no Government oversight unless conflicts arose. In contrast, DCMA-Kuwait and LOGCAP-Kuwait officials stated that the property and equipment would transfer from the LOGCAP III contractor to the Government. Then the Government would be responsible for transferring the LOGCAP property to the LOGCAP IV performance contractors. During our visit to Kuwait in December 2008, the Commander, DCMA-Kuwait, began updating the draft DCMA-Kuwait property plan. The DCMA property plan was included as an annex to the comprehensive transition plan issued on February 23, 2009. However, the procedures for transferring LOGCAP property in the DCMA property plan still were not specific as to whether the property would transfer from contractor to Government to contractor or from contractor to contractor. Therefore, DCMA should clarify the procedures to transfer LOGCAP property in the property plan to eliminate confusion during future transitions.

Also, the property plan lacked detailed procedures for removing hazardous materials and instructions on when to transfer contractor warehouse operations. The property plan stated that hazardous material would be transferred in accordance with applicable laws and regulations. However, DCMA-Kuwait officials were unable to explain the procedures for transferring hazardous material and did not include detailed procedures in the plan. Further, as of March 2009, LOGCAP officials were still planning when to transfer warehouse operations. This decision is important because the contractor owns and operates the warehouse; however, the inventory in the warehouse belongs to LOGCAP. When the program office transfers warehouse inventory to the LOGCAP IV contractors, the LOGCAP III contractor may still need access to the inventory. Access to

⁴ Full operational capability occurs when the Executive Director formally decides that all transition activities are complete and the LOGCAP IV contractors are ready to assume contract obligations in support of the Government and military units.

the inventory may still be necessary because some inventory may be needed to perform work on other LOGCAP III task orders, which will not transfer to the LOGCAP IV contract. Therefore, LOGCAP officials should decide when to transfer warehouse operations to avoid confusion between the contractors. The property plan was still in draft when the transfer of property in Kuwait began in February 2009.

Procedures for Transferring Work

There were multiple versions of the LOGCAP transition plan, and a majority of these versions stated that the transfer of the task order work “will end when DCMA validates that the LOGCAP IV contractors reached full operational capability to perform LOGCAP work.” DCMA would then recommend to the Executive Director that he certify the transfer of work for a task order is complete. During the audit, we tried to determine how DCMA planned to validate when the LOGCAP IV contractors have reached full operational capability. Some DCMA officials stated that they were not responsible for developing the procedures, while others stated that the procedures were still being developed. Although they were responsible, we determined that DCMA had not developed procedures for validating when the LOGCAP IV contractors have reached full operational capability to perform LOGCAP work until after the LOGCAP office awarded the transferring task orders in Kuwait.

Contractor Role and Responsibilities

LOGCAP officials did not establish or include in the comprehensive plan the role and responsibilities of Serco contractors. Serco contractors provide administrative support to the LOGCAP office and the procuring contracting officer (PCO)⁵ when executing LOGCAP contracts. The Serco contractors were significantly involved in efforts to transfer LOGCAP work. LOGCAP officials stated that the Serco contractors acted as liaisons between the LOGCAP III and LOGCAP IV contractors and worked closely with LOGCAP officials. According to LOGCAP and DCMA officials, the responsibilities of the Serco contractors included developing independent government cost estimates and performing property analyst tasks during the transition. However, LOGCAP officials did not define Serco’s role, stating that the contractor would do whatever was needed to complete the transfer of work. It is important that the Executive Director define the contractor’s role and responsibilities to ensure that the contractor does not perform tasks that are the responsibility of the Government. For example, the Serco contractors’ services rendered for independent government cost estimates may approach being inherently governmental functions as described by Federal Acquisition Regulation Subpart 7.5, “Inherently Governmental Functions.” It is important that the Executive

⁵ According to the Federal Acquisition Regulation, PCOs have authority to enter into, administer, or terminate contracts and make related determinations and findings. PCOs may bind the Government only to the extent of the authority delegated to them. PCOs must ensure that all requirements of law, executive orders, regulations, and all other applicable procedures, including clearances and approvals, have been met before entering into a contract.

Director define the contractor's role and responsibilities to ensure that the contractor does not perform tasks that are the responsibility of the Government.

Plan for Transfer of Work in Kuwait

According to the Executive Director, he relied on the DPDs for Kuwait, Iraq, and Afghanistan to plan the transfer of work in those countries. The Executive Director required that the DPDs develop a detailed plan that included country-specific procedures for transferring work. However, the DPD-Kuwait did not adequately coordinate with DCMA and military units, which rotate every 6 to 12 months, to ensure that they were fully aware of the LOGCAP transition efforts taking place in Kuwait. While the DPD-Kuwait developed a Kuwait plan, he did not involve all personnel in the planning process or include country-specific procedures.

Coordination With Military Units

The comprehensive transition plan required the DPD-Kuwait to make the military units⁶ supported by the LOGCAP contract aware of the transition. Their awareness was needed to ensure that no conflicts existed between transition plans and the mission of the units. The DPD-Kuwait was also to communicate to the units the methodology and funding required to support the transfer of work to a new contractor. Because of the constant rotation of units in theater, the DPD-Kuwait needs to ensure continuous communication. To facilitate the transfer of services in Kuwait, the DPD-Kuwait should have included the units early on in the planning; however, he did not. In fact, unit officials stated that they had not seen a transition plan for Kuwait and that the first time they heard about the details of the transfer was during our visit to Kuwait in December 2008. According to unit officials, the primary unit in Kuwait that would support LOGCAP operations had been in country for 1 month before the transfer of work in Kuwait was to begin and should have been briefed about the transfer of work there. When asked, the DPD-Kuwait stated that he would include the units in the planning when more specific information was known about the transition.

Further, unit officials stated that the DPD-Kuwait did not discuss with them how to transfer LOGCAP work without interrupting their mission. Unit officials stated that the LOGCAP III contractor performs the majority of the work to support the unit missions and stated that they had serious concerns about the transfer of work. For example, the LOGCAP III contractor managed and staffed work at six of eight bases in Kuwait. The Executive Director relied on the DPD-Kuwait to ensure that the units understood their responsibilities when transferring work to new contractors; however, the Executive Director did not ensure that the DPD-Kuwait fully planned the transfer of work in Kuwait or coordinated with the units responsible for completing the work.

⁶ The military units are important to the transition because LOGCAP operations support the missions of these military units in theater. Further, the military units provide subject matter experts to act as the CORs and conduct contractor oversight.

Kuwait-Specific Procedures

The DPD-Kuwait did not include country-specific procedures in the Kuwait plan. For instance, the military units that support LOGCAP work generally rotate every 6 to 12 months. Additionally, the Kuwait Government has extensive entry requirements and complex procedures for issuing badges, which could significantly delay getting new contractors into the country. However, the DPD-Kuwait did not develop procedures for keeping unit officials informed about the transition or handling entry and badge-issuing requirements.

Although the transfer of services in Kuwait began in February 2009, the DPD-Kuwait should identify the country-specific procedures that can be used by DPDs for Iraq and Afghanistan when transferring work in those countries. Further, the Executive Director should ensure that the DPDs for Iraq and Afghanistan fully engage all personnel and organizations involved in transferring services to develop country-specific procedures to facilitate the transfer.

Conclusion

Failure to support the warfighter during the transfer of work is not an option. Organizations involved in the transfer of work may not be fully aware of the procedures or their responsibilities, and the lack of awareness could delay planned transition timelines and disrupt the sequence of events planned for the transfer of work. The LOGCAP office should finalize all procedures that could affect the transfer of the LOGCAP work and include the procedures in the comprehensive transition plan. Further, the program office should ensure that all personnel involved in the transfer of work receive a signed and dated plan. This will ensure that all such personnel are using the current and approved version of LOGCAP procedures. Lastly, the Executive Director and DPDs must adequately coordinate with DCMA and members of military units, who rotate every 6 to 12 months, to ensure that they are fully aware of the LOGCAP transition efforts taking place. Adequate coordination with DCMA and the military units would ensure that all personnel involved in the transfer process understand their role and responsibilities. It is essential that the coordination and procedures improve so that the most critical transfer of work, planned for Iraq and Afghanistan, can be accomplished with minimal adverse effect on the mission and warfighters in those countries. Additionally, documenting lessons learned for the Executive Director and DPD may identify ways to improve the transfer of work in Iraq and Afghanistan, thus reducing any potential adverse effect on the LOGCAP mission and the warfighters.

Recommendations, Management Comments, and Our Response

A. We recommend that the Executive Director, Logistics Civil Augmentation Program:

1. Direct the Commander, Defense Contract Management Agency International, to:

a. Clarify procedures to transfer property from the Logistic Civil Augmentation Program III contractor to the Logistic Civil Augmentation Program IV contractors in the Defense Contract Management Agency property plan.

Management Comments

The Executive Director, LOGCAP, disagreed. The Executive Director stated that he issued the LOGCAP transition plan on February 23, 2009, which included Annex C, the DCMA International Property Transition Management Plan. He stated that Annex C effectively describes the Federal Acquisition Regulation process and procedures for transferring property from the current contractor to the new contractor. Although the Executive Director stated that the process implied a transfer from contractor to contractor, DCMA International agreed to amend Annex C to incorporate specific language to make it clear that the transfer of property goes from contractor to contractor.

Our Response

Although the Executive Director, LOGCAP, disagreed, his planned action to require DCMA International to amend Annex C met the intent of the recommendation. Accordingly, no further comments to the final report are required.

b. Finalize procedures to remove hazardous material and transfer warehouse operations.

Management Comments

The Executive Director, LOGCAP, disagreed. He stated that the intent of Annex C was to provide strategic guidance to the three contingency areas regarding operations for transferring Government property. The Executive Director stated that it was not practical or reasonable for Annex C to identify hazardous material or waste disposal procedures for each country. The Executive Director said that the contractors maintain the hazardous material yards, not LOGCAP. The Executive Director stated that the Commander, DCMA International, directed all Contract Management Offices to develop a supplement to Annex C identifying country-specific procedures for disposing of hazardous material in their area of responsibility. He stated that the procedures would be included in a theater fragmentation order. The Executive Director explained in his comments the DCMA Kuwait process for disposing of hazardous materials during the transition process. The Executive Director noted that the transfer of work in Kuwait was complete and successful.

Further, the Executive Director stated that until late in the transition process, the LOGCAP team ensured that the incumbent contractor, the LOGCAP III contractor, controlled the material warehouse. The Executive Director stated that once the incoming LOGCAP IV contractors received the property, the LOGCAP III contractor had no rights to the property. Further, he stated that if the LOGCAP III contractor had other LOGCAP III task orders to fulfill, any property needed to continue providing services was identified and screened out before any property transferred to the LOGCAP IV contractors.

Our Response

Although the Executive Director, LOGCAP, disagreed, his comments indicate that corrective actions were taken. The Commander, DCMA International directed all Contract Management Offices to develop a supplement to Annex C that includes country-specific procedures for disposing of hazardous material and the control of warehouse operations was determined. Accordingly, no further comments to the final report are required.

2. Finalize all procedures in the comprehensive transition plan and include the role and responsibilities of the Serco contractor in the comprehensive transition plan.

Management Comments

The Executive Director, LOGCAP, disagreed. He stated, however, that he would review Serco's role and responsibilities and, if required, adjust the comprehensive transition plan accordingly. The Executive Director stated that the Serco contract defined the role and responsibilities of Serco contractors. The Executive Director stated that a U.S. Government official gives direction to Serco property analysts. The Executive Director stated that Serco's input to property matters is strictly advisory. The Executive Director also stated that Serco cost analysts provide independent cost estimates to Government officials for final review. He stated that he did not consider the development of independent cost estimates by Serco contractors as an inherently governmental function.

Our Response

The Executive Director, LOGCAP, did not fully address the recommendation. While we recognize that the Serco contract defines contractors' role and responsibilities, the contract did not define the administrative support Serco contractors would provide during the LOGCAP transition. Serco employees were significantly involved in the transfer of work for LOGCAP; however, the comprehensive transition plan did not discuss their role and responsibilities. During the audit, officials stated that Serco would do whatever was asked of it to complete the transfer of work. We request that the Executive Director provide in response to the final report the outcome of his review and show that he included Serco's role and responsibilities in the updated comprehensive transition plan.

3. Distribute the most up-to-date, signed, and dated copy of the comprehensive transition plan to all personnel involved in the Logistics Civil Augmentation Program transition after the changes in Recommendations A.1 and A.2 are made to the plan.

Management Comments

The Executive Director, LOGCAP, agreed with the intent of the recommendation. He stated, however, that he disagreed with our conclusion. The Executive Director stated that, as indicated in the report, he updated and distributed the comprehensive transition plan during the course of our review. The Executive Director stated that the comprehensive transition plan is a living document and would change as needed to reflect

the conditions on the ground. The Executive Director stated that it is unrealistic to expect the comprehensive transition plan to be a rigid document and not reflect operating in a hostile or changing wartime environment. The Executive Director said that he is updating the comprehensive transition plan to include lessons learned from the Kuwait transition. He stated that updates to the plan would be completed by September 4, 2009, when it is to be distributed to all parties involved in the Iraq and Afghanistan transition.

Our Response

The Executive Director, LOGCAP, comments indicate that he took corrective action by distributing the plan to all parties on September 4, 2009. However, the Executive Director did not distribute the updated plan on September 4, 2009 as intended. According to a LOGCAP official, the plan will be distributed on September 18, 2009. We request that the Executive Director provide us with the updated plan in response to the final report that includes the changes required by Recommendations A.1 and A.2 of this report.

4. Validate that the Deputy Program Directors in Iraq and Afghanistan:

a. Execute their role and responsibilities for transferring services as outlined in the comprehensive transition plan.

Management Comments

The Executive Director, LOGCAP, agreed with the intent of the recommendation. He stated, however, that he disagreed with our conclusion. The Executive Director stated that he, along with the LOGCAP transition team, validated the DPD-Kuwait's role and responsibilities. He stated that, through weekly transition meeting calls, he is satisfied that the DPDs for Iraq and Afghanistan understand their transition role and responsibilities. The Executive Director stated that as part of his update to the comprehensive transition plan, he would also update the roles and responsibilities of the DPDs for Iraq and Afghanistan.

Our Response

The Executive Director, LOGCAP, comments indicate corrective actions were taken. We request that the Executive Director provide a copy of the updated plan in response to the final report documenting the changes to the role and responsibilities of the DPDs for Iraq and Afghanistan.

b. Develop a country-specific transition plan that details the role and responsibilities for transferring services from the Logistics Civil Augmentation Program III contractor to the Logistics Civil Augmentation Program IV performance contractors.

Management Comments

The Executive Director, LOGCAP, agreed. He stated that the DPDs will assume responsibility for the transfer of work in their respective countries following the

postaward conferences. The Executive Director stated that he intends to deploy members of the LOGCAP IV transition team to Iraq and Afghanistan to assist the DPDs. The Executive Director stated that the DPD transition plans would reflect the authoritative representation of military commanders. The Executive Director stated that the DPDs would complete a country-specific transition plan 60 days after the postaward conference.

Our Response

The Executive Director, LOGCAP planned action meets the intent of the recommendation by stating that he will require the DPDs to complete a country-specific plan 60 days after the postaward conference. We request that he provide a copy of the DPD country-specific transition plan when complete.

c. Include the Defense Contract Management Agency and the military units in country in the planning process for transferring Logistics Civil Augmentation Program work so that warfighter operations will not be interrupted.

Management Comments

The Executive Director, LOGCAP, agreed but stated that he disagreed with the implication that he did not include DCMA and the military units in the planning. The Executive Director stated that the DPD-Kuwait did include DCMA-Kuwait and the military units in the planning process for the transition. The Executive Director provided numerous examples in his response of the DPD-Kuwait coordination efforts. He also stated that over the last 6 months the DPD-Afghanistan, DCMA, and the military units have met to discuss the transition and its operational impact. The Executive Director stated that in August 2009 there would be a postaward and transition conference in which DCMA would be a key participant. He stated that the purpose of the conference is to develop and integrate an Afghanistan-specific transition plan that details the roles and responsibilities of the DPD-Afghanistan, DCMA, contractors, and the military units. The Executive Director stated that by September 30, 2009, the DPD-Afghanistan would complete the transfer of services from the LOGCAP III to the LOGCAP IV contractors.

Our Response

The Executive Director, LOGCAP comments indicate corrective actions were and will be taken and therefore, no further comments to the final report are required.

Finding B. Implementation of Cost Controls in the Acquisition Plan

LOGCAP began nearly 25 years ago, and the Army has spent almost \$31 billion for services under the LOGCAP III contract. However, the LOGCAP Executive Director, in coordination with the LOGCAP IV PCO, had not developed a standard performance work statement for contractors performing LOGCAP work in Kuwait. Additionally, the PCO did not identify which goods and services could be purchased using firm-fixed-price task orders. The PCO focused more on the immediate need to award contracts to the LOGCAP IV contractors than on implementing cost-control methods established in the ASC acquisition plan. As a result, the PCO will not meet the requirements of the LOGCAP IV acquisition plan. The sooner the PCO standardizes performance work statements and establishes firm-fixed-price task orders for goods and services, the sooner the Army may be able to realize quantifiable monetary benefits, and better manage costs.

Acquisition Plan

LOGCAP began nearly 25 years ago, and the Army has spent almost \$31 billion for services under the LOGCAP III contract. According to the acquisition plan for the LOGCAP IV contract, the LOGCAP office intended to use a standard performance work statement, including a pricing model, to reduce the cost of logistics support. The standard performance work statement would also be used by LOGCAP officials to provide stability and order in requirements generation.

The Army awarded the LOGCAP III and LOGCAP IV contractors indefinite-delivery, indefinite-quantity contracts. The task orders the Army awards under these contracts must be in support of a contingency operation. According to the LOGCAP IV acquisition plan, the use of indefinite-delivery, indefinite-quantity contracts allows the PCO to choose from three contract types—firm fixed price, cost plus award fee, and cost plus fixed fee. However, the PCO planned to award only cost-plus-award-fee task orders. The acquisition plan stated that using cost-plus-award-fee tasks order for contingency operations is appropriate because that type of task order motivates contractors to provide excellent performance.

The Army, however, has the ability to issue firm-fixed-price contracts when costs can reasonably be estimated, and cost-plus task orders for work with uncertain costs. To assist with cost control and help officials developing requirements, the PCO could develop a standard performance work statement that identifies services that could be purchased at a fixed price.

Standard LOGCAP Performance Work Statement

The LOGCAP Executive Director and the PCO did not develop a standard performance work statement before issuing the three Kuwait task order contracts. DCMA and contractors in Kuwait stated that the LOGCAP IV performance work statement was not specific, allowing the contractors to make assumptions about how to accomplish the work

in Kuwait. Additionally, the LOGCAP III contractor and the military units stated that the LOGCAP IV performance work statement did not include all the requirements to support the contingency operations in Southwest Asia. The PCO stated that she planned to complete a standard performance work statement before competing the transferring task orders for Iraq and Afghanistan.

To help Commanders in theater scrutinize all expenditures to verify that they meet mission requirements, the PCO stated that the ASC Acquisition Center planned to develop a pricing model to include in the standard performance work statement for the LOGCAP IV task orders. The PCO stated that the pricing model would essentially include menu options that would identify prices by region for specific service requirements, such as base life support. The PCO also stated that the standard performance work statement would provide the units with a baseline for developing the requirements. Baseline requirements would be helpful because the units continuously rotate in theater. However, as of March 2009, the PCO had not completed the pricing model. The Executive Director, in coordination with the LOGCAP IV PCO, should make developing a standard performance work statement a priority to ensure that the warfighter receives quality goods and services at the best price, which in many cases may be a firm fixed price. The standard performance work statement would also allow the LOGCAP office to more accurately evaluate contractor performance. Further, the PCO should develop the pricing model to include in the standard performance work statement.

Absent a standard performance work statement to guide him, the DPD-Kuwait developed a performance work statement for the LOGCAP contractors in Kuwait. The DCMA administrative contracting officer (ACO) stated that the DPD-Kuwait did not request input from DCMA when developing the performance work statement. As the contract administrator, DCMA could have provided valuable input to the performance work statement. In fact, the DCMA ACO reported having provided the DPD-Kuwait with comments and corrections for the performance work statement that the DPD-Kuwait did not incorporate. In addition, the official stated that the DPD-Kuwait developed the performance work statement based on the military units' Tactics, Techniques, and Procedures documents and statements of work from the LOGCAP III task orders. The Tactics, Techniques, and Procedures documents and statements of work taken from the contract contain the requirements and unit operations conducted at each site to complete the units' mission. The DPD is responsible for overseeing current operations, assisting the military units with requirements development, and preparing the performance work statement under the LOGCAP III and IV task orders. However, officials from DCMA and the units stated that the Tactics, Techniques, and Procedures documents and statements of work taken from the contract used by the DPD-Kuwait had not been updated in more than a year and did not reflect current operations.

When asked, the LOGCAP IV PCO reported she was not aware of what happened between officials in Kuwait during the process of developing the performance work statement. The LOGCAP IV PCO stated that the DPD-Kuwait is required to coordinate the performance work statement with DCMA and the military units and resolve any problems before providing the PCO with the documents.

Firm-Fixed-Price Contracts

As noted, LOGCAP officials did not identify which goods and services under the LOGCAP task orders could be purchased using firm-fixed-price task orders. According to the acquisition plan, the indefinite-quantity, indefinite-delivery contract awarded to the LOGCAP IV contractors allowed the PCO to award firm-fixed-price task orders when costs could be reasonably estimated. For example, the LOGCAP IV PCO stated that the cost of a meal could be reasonably estimated using the pricing model discussed above. The PCO stated that the number of meals needed may not be known until the requirement is generated, but that the standard meal price could be included. Because LOGCAP was established in 1985, nearly 25 years ago, some costs related to contingency operations could reasonably be fixed based on experience; however, the LOGCAP IV PCO has yet to identify those costs. Limiting the use of cost-plus-award-fee contracts could reduce the likelihood of contractors' overcharging the Government for goods and services and put less strain on overburdened oversight resources. We recommend that the LOGCAP IV PCO identify and establish firm fixed prices for goods and services to ensure that the Government is getting the best value.

Conclusion

The PCO focused more on the immediate need to award contracts to the LOGCAP IV contractors than on implementing cost-control methods established in the acquisition plan. The sooner the PCO standardizes performance work statements and establishes firm-fixed-price contracts for goods and services, the sooner the Army may be able to realize quantifiable monetary benefits. Without a standard performance work statement, the PCO may not be able to prevent overcharging on the LOGCAP IV contract.

Management Comments on the Finding and Our Response

A summary of management comments on the finding and our audit response are in Appendix C.

Recommendations, Management Comments, and Our Response

Revised Recommendation

As a result of management comments, we revised draft report Recommendation B.2 to clarify that the warfighter requirements, not missions, should be included in performance work statements.

B. We recommend that the Executive Director, Logistics Civil Augmentation Program:

1. Require the procuring contracting officer to:

a. Complete the standard performance work statement for the Logistics Civil Augmentation Program before competing the transferring task orders for Iraq and Afghanistan.

b. Use historical data from prior Logistics Civil Augmentation Program work to complete a pricing model to assist units in developing requirements.

c. Establish a plan to identify goods and services within the task orders that could be acquired using a firm fixed price, and develop firm-fixed-price task order requirements.

Management Comments

The Executive Director, LOGCAP, disagreed with Recommendations B.1.a and B.1.b. For Recommendation B.1.a, the Executive Director stated that he completed the development of a standard performance work statement and that contracting officials actively participated in its development. The Executive Director stated that program and contracting officials also developed a corresponding pricing matrix, which was used to develop Afghanistan task orders. The Executive Director stated that the LOGCAP office and contracting officials acknowledge the value of incorporating a standard performance work statement for recurring LOGCAP services. He stated that he intends to establish a similar approach when developing base life support requirements for Iraq.

For Recommendation B.1.b, he stated that the Afghanistan task orders contain competitively established price matrices from which the supported units may execute requirements as needed. The Director stated that any service in the price matrix can be used at a known price without the need for price negotiation.

The Executive Director, LOGCAP, agreed with Recommendation B.1.c. He stated that the LOGCAP office and contracting officials would use firm-fixed-price task orders when feasible. The Executive Director stated that changing operations in Iraq and Afghanistan dictate the continued use of cost-type contracts. The Executive Director further stated that he is working with the Joint Contracting Command-Iraq to identify services that could be purchased with contracts other than LOGCAP. The Executive Director also stated that when requirements do not support the use of fixed pricing, the LOGCAP office and contracting offices would use service price matrices to maintain the price-related benefits of the competition. The Executive Director said that the service price matrices allow the supported unit to select standard LOGCAP services from a price list, thus minimizing administrative burdens, maintaining competitive fees, and establishing a benchmark for cost-control measurement.

Our Response

The Executive Director, LOGCAP disagreed, in part, with the recommendation; however, his comments indicate corrective actions were taken. In response to the final report, we request that he provide a copy of the standard performance work statement for Iraq and Afghanistan. We also request that he discuss whether he plans to document his decision

to use firm-fixed-price task orders when feasible and whether he will require the PCO to explain in the contract file when task order requirements do not support the use of fixed pricing.

2. Validate that the Deputy Program Directors coordinate with the Defense Contract Management Agency and the military units in country when developing performance work statements to guarantee that they accurately reflect warfighter requirements.

Management Comments

The Executive Director, LOGCAP, disagreed. He stated that the performance work statement should be based on conditions and service requirements, not warfighter missions.

Our Response

In response to management comments, we revised the recommendation for clarity. Although we agree with the Executive Director's comments, the warfighters we interviewed in Kuwait stated that the performance work statement for the Kuwait task orders did not include all the requirements they needed to support their mission. Additionally, DCMA officials stated in interviews that the performance work statement was very broad. We request that the Director provide comments in response to the final report on the revised recommendation.

Finding C. Oversight of Property

The LOGCAP office did not properly oversee property worth at least \$4 billion for the program. Specifically, DCMA officials were confused on the joint inventory process to transfer the property to the LOGCAP IV contractors. This confusion occurred because the LOGCAP Executive Director did not ensure that DCMA finalized the procedures to transfer property. As a result, the Army has no assurance that all Government property has been accounted for and will be transferred to the LOGCAP IV contractors.

Guidance on Government Property and Equipment

Federal Acquisition Regulation Part 45, “Government Property,” states that under a cost contract, the Government maintains ownership of all property that is Government-furnished property until the property is properly disposed of. Federal Acquisition Regulation Part 45 defines Government-furnished property as property in the possession of, or directly acquired by, the Government and subsequently furnished to the contractor for the performance of the contract.

Inventory of LOGCAP Property

The LOGCAP office provided insufficient oversight of the property for the program. As of April 17, 2009, the DCMA Property Administrator stated that there were at least 1.1 million lines of LOGCAP property⁷ totaling almost \$4 billion. While the program office required in the contract that the contractor maintain an inventory of the LOGCAP property, the LOGCAP PCO did not require that the LOGCAP III contractor track the property by task order. According to a contractor memorandum dated June 20, 2008, equipment acquired through LOGCAP III task orders was used to benefit multiple task orders in Kuwait and to support operations in Iraq and Afghanistan.

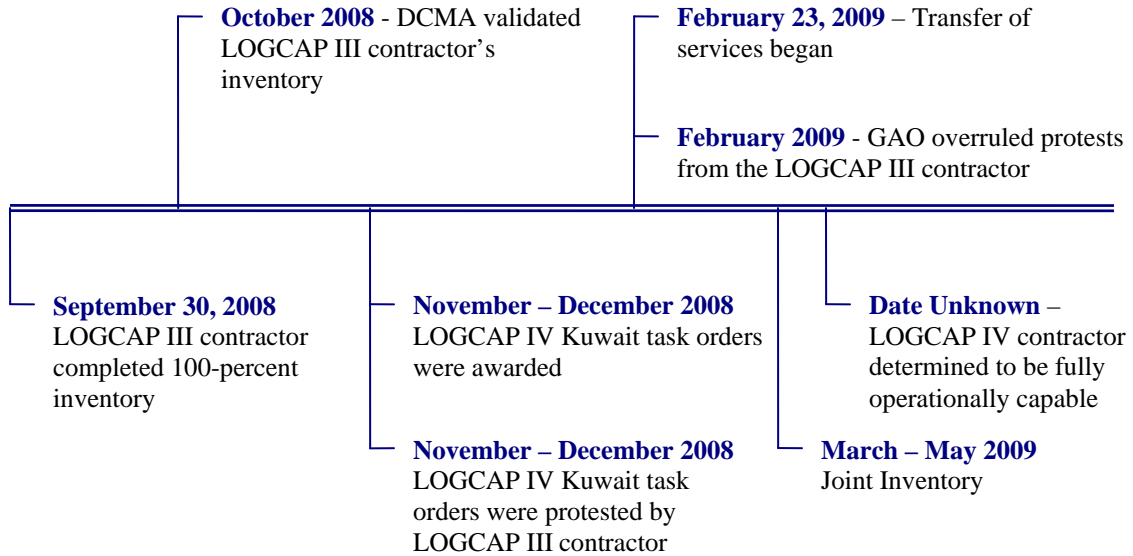
Physical Inventory and Transfer of Property

According to DCMA-Houston officials, the transfer process begins with the LOGCAP III contractor conducting a 100-percent physical inventory of all LOGCAP property in Kuwait. Next, DCMA is required to validate, through sampling, the LOGCAP inventory to ensure that it is accurate and complete. DCMA-Houston officials stated that the validation of the LOGCAP III contractor’s inventory should be verified immediately following the completion of the 100-percent inventory. Then, the LOGCAP III and IV contractors are to conduct a joint inventory of the property to determine usability of and need for the property. DCMA-Houston officials stated that, during the joint inventory process, they would reconcile any conflicts between the contractors. Lastly, DCMA is to certify when the contractors have reached full operational capability and that the transfer process is complete. Figure 2 depicts the actual timeline for the transfer of property in

⁷ DCMA and LOGCAP officials refer to entries of property and equipment in the LOGCAP III contractor’s inventory system as “property line items.” LOGCAP officials stated that a property line item is a category of property that can include multiple pieces of property or equipment.

Kuwait. While the process and sequence of events to transfer services for other LOGCAP task orders will remain the same, the dates will change.

Figure 2. Timeline for the Transfer of Property in Kuwait



There was confusion among DCMA officials concerning the joint inventory procedures. For example, one DCMA-Houston official stated that a DCMA property administrator will not be present during the joint inventory but that Serco contractors will be. The DCMA-Houston official explained that DCMA personnel will be involved in the transfer of property only when disputes arise between the contractors. Lastly, the DCMA-Houston official stated that if a DCMA property administrator is not available to handle the conflict, a contractor from Serco will resolve the issue.

In contrast, a DCMA-Kuwait official stated that the LOGCAP III contractor, the LOGCAP IV contractors, and DCMA personnel will jointly participate in the transfer of property. This DCMA-Kuwait official stressed that a DCMA property administrator and quality assurance representative (QAR) will be present during the entire inventory process. DCMA-Kuwait officials acknowledged that a Serco property analyst will also be present to assist in and observe the inventory process. However, officials stated that a DCMA property administrator will accompany the Serco contractors or QAR at all times. Further, as discussed in finding A, DCMA officials did not finalize procedures to determine when the contractors have reached full operational capability until after LOGCAP officials awarded the task orders.

Conclusion

For the LOGCAP IV contracts, the Government is required to track property. However, the Army has no guarantee that the property and equipment that the LOGCAP III contractor is transferring to the LOGCAP IV contractors is all of the property and equipment owned by the Government under the LOGCAP III contract. Also, there is

confusion among DCMA officials on the joint inventory process to transfer \$4 billion in LOGCAP property to the LOGCAP IV contractors, confusion that could ultimately delay transition timelines.

Recommendation, Management Comments, and Our Response

C. We recommend that the Executive Director, Logistic Civil Augmentation Program, require that the Commander, Defense Contract Management Agency International, ensure that a property administrator document and maintain an accurate list of Logistic Civil Augmentation Program IV property and equipment by task order to ensure accountability for the property.

Management Comments

The Executive Director, LOGCAP, disagreed. He stated that the Federal Acquisition Regulation requirements in effect at the time the contracting office awarded the LOGCAP III contract prohibited the LOGCAP office from keeping duplicate records. The Executive Director acknowledged that a June 2007 update to the Federal Acquisition Regulation removed that direction. He stated that the LOGCAP IV contracts contain Federal Acquisition Regulation clause 52.245-1, which requires the contractor to control the use of, preserve, protect, repair, and maintain Government property. The Executive Director said that DCMA provides contract property administration services to the LOGCAP office as described in Federal Acquisition Regulation subpart 42.201 and part 45. He stated, however, that DCMA responsibilities do not include maintaining a listing of the Government property held by each LOGCAP contractor. Rather, the Executive Director stated that the DCMA property administrator performs an annual analysis to validate that the contractor is performing in accordance with the contract.

Our Response

We recognized the validity of the Executive Director's concerns about the Government maintaining property records for LOGCAP III, and modified the finding to remove those sections that referred to the Government maintaining those records. However, his comments indicate that the LOGCAP IV contract requires DCMA to maintain a listing of LOGCAP IV property and equipment as described in Federal Acquisition Regulation subpart 42.201. Accordingly, no further comments to the final report are required.

Finding D. Oversight of Contractors

The QAR and contracting officer's representatives (CORs) in Kuwait did not evaluate contractor performance on a consistent and routine basis. Conducting consistent and routine evaluations is essential to verify that contractors are accurately rated on performance. Further, the CORs provided inaccurate ratings on 5 of the 10 performance reviews of the LOGCAP III contractor provided to the Performance Evaluation Board. This lack of administrative oversight occurred because DCMA did not hold the QAR and CORs accountable for not completing their surveillance requirements, and the QAR did not follow the policies and procedures established by the Commander, DCMA International. Also, the QAR did not adequately train the CORs on assessing contractor performance. As a result, DCMA may not be able to identify trends in contractor performance. Further, the Government may have a skewed basis for determining contractor performance ratings during the transfer of services in Kuwait. Lastly, the Government could be at risk of paying erroneous award fees to the LOGCAP III and LOGCAP IV contractors if awards are based on inaccurate information obtained from the LOGCAP Performance Evaluation Board. The award fees for LOGCAP IV could total as much as \$1.5 billion.

Administrative Oversight of LOGCAP

ASC delegated administrative oversight of LOGCAP contracts to DCMA. ASC issued a delegation memorandum appointing a DCMA ACO to execute certain responsibilities identified in Federal Acquisition Regulation 42.302, "Contract Administration Functions." The LOGCAP PCO defined the specific responsibilities from Federal Acquisition Regulation 42.302 in a matrix attached to the delegation memorandum. According to the delegation matrix, the DCMA ACO was required to ensure that the contractor complied with the requirements in the LOGCAP contract and the contract's statements of work. The delegation matrix also required the DCMA ACO to ensure that the contractors complied with quality assurance requirements.

For the LOGCAP contracts, DCMA assigned one QAR to perform surveillance—that is, independent examinations, or reviews, of the contractor's services in Kuwait to determine whether the contractor was performing in accordance with the terms of the LOGCAP contract. DCMA developed a Quality Assurance Surveillance Plan⁸ (surveillance plan) to provide oversight, guidance, and direction to the QAR when performing surveillance efforts. The surveillance plan required that the LOGCAP QAR develop and maintain a surveillance schedule and perform and document reviews of services and products regularly.

⁸ Although DCMA issued the Theater Quality Plan in December 2008 to replace the Quality Assurance Surveillance Plan, the audit team followed the Quality Assurance Surveillance Plan, May 2008, when evaluating QAR and COR duties because this was the document the QAR and CORs followed at the time of our review.

For LOGCAP surveillance, the military units provide the QAR with military personnel to perform COR responsibilities to assist in the contract's administration. DCMA considers CORs subject matter experts on the contractor's technical performance. The QAR is responsible for ensuring that the CORs conduct quality reviews of the services that contractors provide. The reviews should be based on the requirements identified in the LOGCAP contracts and the contract's statements of work.

Evaluations of LOGCAP Contractor Performance

The QAR and CORs did not evaluate LOGCAP contractors as required. Specifically, the surveillance plan required that the QAR assign a risk level to each service that the LOGCAP contractor provides. Considerations for the risk were assessments of the importance of the service, the risk associated with its interruption, and the frequency of the required surveillance. A high-risk service should be reviewed weekly, a medium-risk service every other week, and a low-risk service monthly. The QAR and CORs document the reviews on checklists.

Of the seven CORs who provided contractor evaluations to the Kuwait Performance Evaluation Board, two did not conduct the surveillance reviews as frequently as the risk level assigned to the service demanded. For example, during the period of evaluation from November 1 through November 30, 2008, a COR reviewed a moderate-risk service only once. Moreover, the CORs did not adequately document their reviews. We interviewed four of the seven LOGCAP CORs. The four stated that they did not complete more than one checklist a month for any given service. Three CORs stated that they completed only a portion of a checklist during a site visit and that by the end of the month they may have completed an entire checklist. All of the CORs stated that the checklists were out-of-date and did not include a section for them to add details about their inspections. Lastly, all of the CORs stated that completing the review checklists is not their primary duty, and all but one of the CORs stated that they did not give the completion of the checklists high priority.

The QAR and CORs did not evaluate contractor performance on a consistent and routine basis; however, this is essential to verify that contractors are accurately rated on their performance. According to DCMA officials, DCMA-Kuwait required that the QAR and COR perform five joint monthly reviews, but DCMA did not document the requirement in formal policy or procedures. The Kuwait QAR stated that a QAR is required to conduct a minimum of 25 surveillance reviews each month, but that a QAR rarely completes 20 a month. Further, the Kuwait QAR did not verify that the CORs reporting to him completed their required number of reviews. Without conducting the required number of reviews each month, the QAR and CORs are not in a position to accurately assess contractors' performance, and contractor ratings that the Performance Evaluation Board uses are based on incomplete information from quality assurance officials and have little value.

LOGCAP officials need to conduct consistent and routine reviews of contractor services based on the risk level. The reviews are important for establishing how well the contractor is performing. The Commander, DCMA International, along with the unit

officials responsible for the CORs, must hold the QAR and CORs accountable for failing to complete their quality assurance responsibilities for the LOGCAP contracts as required by the delegation matrix and Federal Acquisition Regulation 42.302. The Commander, DCMA International should require that the QAR develop a schedule for completing the required number of reviews and validate that the reviews are conducted. Lastly, the Commander, DCMA International and the unit officials who assign the CORs should assess the workload of the CORs and verify that training for CORs is repeated each time units rotate.

The QAR and CORs should complete their checklists. The QAR and the CORs use the checklists to document contractor performance for the Performance Evaluation Board. The QAR should also accompany the CORs on the required number of reviews.

LOGCAP Performance Evaluation Board

The DCMA Iraq/Afghanistan Memorandum, “DCMA Iraq/Afghanistan Performance Evaluation Board/Award Fee Board Standard Operating Procedures,” June 28, 2008, (standard operating procedures memorandum), states that the Performance Evaluation Board is a tool to influence contractor performance. Further, the standard operating procedures memorandum states that the Performance Evaluation Board is the center of contract management, which culminates in the monthly review and documenting of a contractor’s performance. The standard operating procedures memorandum also states that the performance evaluation board is a way to provide the best possible service to the troops, gage performance, and institute corrective action.

As part of the DCMA oversight responsibilities for the LOGCAP contract, the ACO was required to conduct formal evaluations of the contractor’s performance. These formal evaluations, Performance Evaluation Board meetings, are conducted monthly to determine whether the LOGCAP contractor provided the best possible performance to the Government, established efficiency while maximizing use of resources, and effectively managed costs. We focused on the performance evaluation for one of the three LOGCAP III task orders for Kuwait. After the transition, DCMA will hold a Performance Evaluation Board meeting to assess how well the LOGCAP III contractor performed when it transferred services to the LOGCAP IV contractors. DCMA will also convene the Performance Evaluation Board to evaluate how well the LOGCAP IV contractors performed during the transfer of LOGCAP services.

Contractor Ratings

We attended a Performance Evaluation Board meeting on December 12, 2008, at which the CORs provided inaccurate or incomplete ratings to board members. The CORs presented a contractor performance summary report, which included a rating based on the information obtained from their monthly reviews.

At the December 12 meeting, 5 of 10 ratings the CORs provided to the board did not match their written assessments. For example, one COR wrote that the contractor needed improvement in facilities operations and maintenance but gave the contractor an “excellent” rating. Two CORs stated that the contractor’s performance was “high quality”

and “greatly exceeded average performance” but gave the contractor a “very good” rating. Additionally, the written explanation of 9 of 10 ratings did not indicate the section of the contract’s statement of work being assessed.

While the board members stated that they did not agree with the COR ratings, the members did not require that the CORs reconcile the differences. Also, the Commander, DCMA International, stated that the CORs should not be determining the overall rating of a contractor. The board members used the ratings to determine the numeric score that corresponded to the rating. The ratings are also provided to the Award Fee Evaluation Board, which determines the amount by which contractors are rewarded for any performance on the contract that exceeds the minimum standards. The LOGCAP III contractor’s award has the potential to be in the millions of dollars. The LOGCAP IV contractors could receive a profit of \$1.5 billion in award fees.

The QAR should review the COR performance summary reports before they are presented to the Performance Evaluation Board. The QAR should not allow CORs to assess the overall ratings of the contractor’s performance as this is the responsibility of the Performance Evaluation Board. Additionally, the Commander, DCMA International should prohibit members of the Performance Evaluation Board from providing numerical ratings to contractors when COR ratings do not match written assessments in performance summary reports.

COR Training

The lack of administrative oversight happened because the QAR did not follow the surveillance plan or the standard operating procedures memorandum established by the Commander, DCMA Iraq/Afghanistan. Additionally, the QAR did not adequately train the CORs on assessing contractor performance. During our interviews of the CORs, they stated that their COR responsibilities are collateral duties. The four CORs interviewed stated that the training they received was not beneficial because it did not focus on their COR responsibilities. They also stated that more detailed training on how to assess contractor performance would be extremely beneficial. Further, the CORs stated that they did not understand the purpose of completing the checklists, especially because the checklists were out of date.

DCMA officials should conduct more training for the QAR and CORs who support the LOGCAP contracts. CORs rotate along with their military units every 6 to 12 months. Therefore, DCMA officials should conduct the training whenever new CORs are assigned to the LOGCAP contract. The training should focus on completing and understanding the review checklists. The training should also include techniques for assessing contractor performance. Additionally, the QAR should update review checklists using current documents and the contract’s statements of work and adjust training when a checklist is updated.

The Director, Defense Procurement and Acquisition Policy Memorandum, “Designation of Contracting Officer’s Representatives on Contracts for Services in Support of Department of Defense Requirements,” December 6, 2006, requires that properly trained

CORs be identified on active service contracts. The Director's memorandum also requires that COR performance be addressed in their performance reviews. The Deputy Secretary of Defense Memorandum, "Monitoring Contract Performance in Contracts for Services," August 22, 2008, states that trained and ready CORs are critical to ensuring that contractors comply with contract requirements. The Deputy Secretary of Defense memorandum also requires that COR activities be tailored to the dollar value and complexity of the service contract. These memoranda when compared to the audit results are further evidence that COR monitoring and administration of service contracts needs to be addressed.

Conclusion

By not completing oversight reviews according to DCMA standards, DCMA may not be able to identify trends in contractor performance. Further, because the program office did not develop procedures for the oversight and reporting of the LOGCAP III contractor's performance, the oversight problems from LOGCAP III will likely carry over to LOGCAP IV. Additionally, the inaccurate ratings the CORs provided to the Performance Evaluation Board on the contractor's performance could possibly cause contractors to receive award fees that do not appropriately reflect performance.

Recommendations, Management Comments, and Our Response

Revised Recommendation

Based on management comments, we revised Recommendation D.7.d to clarify the intent of the recommendation. Specifically, we added the word "joint" to clarify the type of contractor inspections on which the QAR should accompany contracting officer's representatives.

D. We recommend that the Commander, Defense Contracting Management Agency International:

1. Identify a process to hold the quality assurance representative and contractor officer's representatives accountable for not completing surveillance requirements contained in the delegation matrix and Federal Acquisition Regulation 42.302, "Contract Administration Functions."

Management Comments

The Commander, DCMA International, disagreed. He stated that the DCMA office in Kuwait established a process to hold a QAR and CORs accountable for not completing surveillance requirements. The Commander stated that DCMA obtains monthly metrics on the number of audits scheduled, then compares it with the number of audits performed. He stated that the frequency of audits is based on a risk assessment of the service provided. The Commander further stated that the Commander, DCMA-Kuwait, has the authority to hold personnel accountable for not performing their surveillance requirements.

Our Response

Although the Commander, DCMA International, disagreed, his comments indicated that there is a process in place to hold personnel accountable for not performing surveillance requirements. In response to the final report, we request that the Commander provide the document that outlines the process to hold quality assurance officials accountable for not completing their surveillance duties and the consequences imposed on anyone not complying. We also ask that he provide the actions taken against the QAR and CORs for the last 2 years for the lapses identified in this report.

2. Validate that the quality assurance representative develops a monthly schedule of services planned for review and that reviews are completed as required.

Management Comments

The Commander, DCMA International, disagreed. He stated that DCMA-Kuwait already validates that QARs develop a monthly schedule of reviews and ensures that the reviews are completed. The Commander stated the completion of the reviews may be affected by service changes or troop movement. The Commander stated, however, that he would remind DCMA-Kuwait to ensure that QARs develop a monthly schedule and complete the scheduled reviews.

Our Response

The Commander, DCMA International, comments indicate that DCMA-Kuwait already validates that the QAR develops a monthly schedule of reviews and ensures that the reviews are completed. In response to the final report, we request that the Commander demonstrate that a monthly schedule is developed and that required reviews are documented when complete.

3. Require the quality assurance representative to provide additional training to the contracting officer's representatives on their Logistic Civil Augmentation Program responsibilities.

Management Comments

The Commander, DCMA International, disagreed. He stated that the Kuwait QAR already provides additional training to all CORs assigned oversight responsibilities on DCMA-delegated contracts. The Commander stated that he will task the Commander, DCMA-Kuwait, to review the adequacy of the COR training and report on any areas that need improvement.

Our Response

Although the Commander, DCMA International, disagreed, his planned action meets the intent of the recommendation. However, we request that the Commander provide in response to the final report a copy of the tasking requiring the Commander, DCMA-Kuwait to review the COR training. We also request a copy of the results.

4. Assess the workload of the Logistic Civil Augmentation Program contracting officer's representatives and identify actions that can be taken to balance workload demands.

Management Comments

The Commander, DCMA International, disagreed. He stated that DCMA International and DCMA-Kuwait review the COR workload on a regular basis and adjust the workload when needed. The Commander stated that the supported units also review COR workload requirements and assign resources to ensure adequate COR coverage. The Commander further stated that if additional resources are needed, the DCMA-Kuwait Commander will request additional support through the chain of command or request additional COR support through the unit commander.

Our Response

Pursuant to the Deputy Secretary of Defense memorandum, the Commander, DCMA International, did not identify actions taken to balance workload demands. If COR workloads were constantly reviewed, the CORs should have completed the required number of audits each month. However, the four CORs we interviewed stated that their COR responsibilities were collateral duties. The CORs also stated that they did not complete more than one checklist a month for any given service, and three of the four CORs stated that they did not give the completion of the checklists a high priority. Therefore, we request that the Commander provide in response to the final report the documented results of his workload assessments, when they were completed, and the actions taken to balance COR workloads.

5. Instruct members of the Logistics Civil Augmentation Program Performance Evaluation Board to review, in advance, contracting officer's representatives' performance summary reports and not to decide on the contractor's numerical ratings when performance summary reports are not accurate.

Management Comments

The Commander, DCMA International, agreed. He stated that board members would be reinstructed on the performance evaluation board process. The Commander stated that the Rock Island Contracting Command is amending the award fee board process for the LOGCAP IV contract. He stated that the changes would address the concerns of this recommendation.

Our Response

The Commander, DCMA International comments indicate corrective actions were taken and therefore, no further comments are required.

6. Postpone any meeting of the Logistics Civil Augmentation Program Performance Evaluation Board when information that the Defense Contracting

Management Agency quality assurance representative and contractor officer's representatives have to present is not consistent or accurate.

Management Comments

The Commander, DCMA International, agreed. He stated that a commander has always had the option to postpone a performance evaluation board when the information to be presented to the board is not consistent or accurate. The Commander stated that he will remind the DCMA Contingency Contract Management Office of the importance of presenting factual data at the performance evaluation boards.

Our Response

The DCMA International Commander's planned action meets the intent of the recommendation, and no further comments are required.

7. Direct the Logistic Civil Augmentation Program quality assurance representative to:

a. Update the review checklists to contain current information from the Logistics Civil Augmentation Program statements of work and military units' documents and to include a section for comments.

Management Comments

The Commander, DCMA International, agreed. He stated that the QAR developed a checklist from the LOGCAP performance work statement for CORs to use. The Commander stated that the updated checklist includes a section for comments.

Our Response

The comments of the Commander, DCMA International comments indicate corrective actions were taken. However, we request that he provide in response to the final report a copy of the updated checklist.

b. Conduct and document the required number of reviews each month.

Management Comments

The Commander, DCMA International, disagreed. He stated that DCMA already requires the QAR to conduct and document the required number of reviews each month.

Our Response

The comments of the Commander, DCMA International, did not meet the intent of the recommendation. By the QAR's own admission, the QAR in Kuwait did not complete the required number of audits each month. If DCMA already requires the QAR to conduct and document the required number of reviews, we request that the Commander provide in response to the final report a copy of the document stipulating the requirements. We also

request that the Commander discuss whether actions were taken against the QAR for the lapses identified in this report.

c. Validate that contracting officer's representatives complete the required number of surveillance reviews each month.

Management Comments

The Commander, DCMA International, agreed. He stated that DCMA-Kuwait would ensure that the QAR reviews COR surveillance audits and conducts regular desk audits of the CORs.

Our Response

The Commander, DCMA International comments indicate corrective actions were taken and therefore, no further comments are required.

d. Accompany contracting officer's representatives on the required number of joint reviews to ensure consistent evaluations of contractor performance.

Management Comments

The Commander, DCMA International, disagreed. He stated that the CORs provide a monthly evaluation to the QAR. The Commander stated that the QAR performs an average of 25 audits per month, including 5 joint audits with their CORs. The Commander stated that it is not practical for a QAR to accompany CORs on all of their audits.

Our Response

In response to management comments, we revised the recommendation for clarity. During the audit, the CORs interviewed stated that the QAR did not accompany them on any reviews (audits). The joint reviews could be used as a means for added training and consistency of evaluations of contractor's performance. We request that the Commander provide comments on the revised recommendation in response to the final report stating how he will ensure that the required number of joint reviews is completed.

e. Review contracting officer's representatives' performance summary reports to ensure that the written assessments are accurate and indicate the section of the contract's statement of work being assessed.

Management Comments

The Commander, DCMA International, disagreed. He stated that DCMA-Kuwait already collects COR data and summary reports and that the administrative contracting officer, lead QAR, and the commander review them for accuracy. The Commander stated that each input identifies the part of the statement of work being evaluated.

Our Response

Although the Commander, DCMA International, disagreed, he stated that a process was in place to review COR summary reports. If reviews were conducted, their quality must significantly improve. The COR summary reports we reviewed were not consistent and did not always indicate the part of the statement of work being evaluated. Therefore, we request that the Commander provide comments in response to the final report stating how he will ensure that quality reviews of COR summary reports are conducted.

Appendix A. Scope and Methodology

We conducted this performance audit from September 2008 through June 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To determine whether the LOGCAP office planned for the transfer of services from the LOGCAP III to the LOGCAP IV contract, we interviewed personnel involved in the transition process, observed operations in Kuwait that ASC planned to transfer to the LOGCAP IV contractors, and reviewed documents as described below. Specifically, we visited the following locations.

- LOGCAP office and ASC headquarters, Rock Island, Illinois
- LOGCAP Operations Directorate, Ft. Belvoir, Virginia
- LOGCAP Management Office and DCMA, Camp Arifjan, Kuwait
- DCMA International, Alexandria, Virginia
- DCMA-Houston, Texas

We focused on four transition areas during our review of the ASC transition process: the development of a comprehensive and country-specific transition plans, development of a standard performance work statement, procedures for transferring LOGCAP property and equipment, and the administrative oversight of the contracts.

Transition Planning

We reviewed documents obtained from the LOGCAP office, DCMA, and performance contractors to determine whether the organizations involved in the transition process developed procedures to transfer goods and services to new contractors. We reviewed the LOGCAP III task orders, the LOGCAP IV contract and performance work statement, the LOGCAP IV acquisition plan, rehearsal of concept drills, symposium minutes, LOGCAP transition plans, and the DCMA transition management plans. We interviewed officials from the LOGCAP office, DCMA, military units, and performance contractors involved in the transition process. We compared the testimonial evidence obtained from those officials with the documents we reviewed because DOD did not issue any policy or procedures for transferring services from one contract to another.

Implementation of Cost Controls in the Acquisition Plan

We reviewed documents obtained from the LOGCAP office to determine whether LOGCAP officials created standardized performance work statements, the pricing models, or identified goods and services that could be acquired using a firm-fixed-price contract. Specifically, we reviewed the three Kuwait performance work statements and the LOGCAP IV acquisition plan. We also interviewed the LOGCAP IV PCO to determine any future plans for the use of a standard performance work statement.

Oversight of Property

We reviewed documents obtained from the LOGCAP office, DCMA, and performance contractors to determine whether DCMA had developed procedures to transfer LOGCAP property from the LOGCAP III to the LOGCAP IV contract. We reviewed the DCMA Transition Management Plan, DCMA briefing slides, the LOGCAP III and IV contracts, symposium minutes, and timelines for the transfer of property. We compared the documents to procedures identified in the DCMA-Kuwait transition management plan, Federal Acquisition Regulation Part 45 and clause 52.245-1. We interviewed officials from the LOGCAP office, DCMA, military units, and performance contractors involved in the transition process to determine their understanding of the procedures for transferring LOGCAP property and equipment from the LOGCAP III to the LOGCAP IV contractors.

Oversight of Contractors

We reviewed documents obtained from the LOGCAP office and DCMA to determine the process for evaluating contractor performance on the LOGCAP contracts. We reviewed the delegation memorandum, surveillance plans, checklists, and performance summary reports. We compared the documents with the standard operating procedures memorandum and Federal Acquisition Regulation 42.302 to determine whether DCMA officials provided adequate administrative oversight of the LOGCAP contracts. We also interviewed DCMA officials, the QAR, and CORs and compared their statements with the documents and policy reviewed. Lastly, we attended a Performance Evaluation Board meeting in Kuwait on December 12, 2008, to understand the process for rating contractors' performance on the LOGCAP contracts.

Use of Computer-Processed Data

We did not use computer-processed data to perform this audit.

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) issued one report, the Army Audit Agency issued three reports, and the Commission on Wartime Contracting held two hearings discussing transition planning for the LOGCAP contract. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted Army reports can be accessed at <https://aaa.army.mil/> from .mil and gao.gov domains. The Commission on Wartime Contracting hearings can be accessed at <http://www.wartimecontracting.gov>.

GAO

GAO Report No. GAO-08-759, "Telecommunications: Agencies Are Generally Following Sound Transition Planning Practices, and GSA Is Taking Action to Resolve Challenges," June 2008

Army

Army Audit Report No. A-2007-0104-ALL, “Summary Audit Report on the Cost-Effectiveness of Transitioning Work Under the Logistics Civil Augmentation Program Contingency Contract to Sustainment Contracting, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom,” March 23, 2007

Army Audit Report No. A-2007-0093-ALL, “Audit of the Cost-Effectiveness of Transitioning Selected Functions Performed at the Theater Distribution Center (Task Order 87) From Contingency to Sustainment Contracting, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom,” March 9, 2007

Army Audit Report No. A-2006-0253-ALL, “Audit of the Cost Effectiveness of Transitioning the General Support Supply Support Activity (Task Order 87) From Contingency to Sustainment Contracting, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom,” September 28, 2006
(This report is restricted and cannot be accessed over the Internet.)

Commission on Wartime Contracting

Hearing on, “Contractor Business Systems,” August 11, 2009

Hearing on, “LOGCAP: Support-Contracting Challenges in Iraq and Afghanistan,” May 4, 2009

Appendix B. Kuwait Task Orders

The Executive Director plans to transfer Kuwait task orders 147, 157, and 161 from the LOGCAP III to the LOGCAP IV contracts. As of May 2009, the Army had paid almost \$347 million to the LOGCAP III contractor for services rendered in Kuwait.

Task Order 147: Kuwait Area of Responsibility

For task order 147, the contractor provides basic camp services, life support services, and select combat support to U.S. military forces in the Kuwait area of operations. Services include:

- facilities and operations maintenance,
- electrical inspection, maintenance, and repair services,
- heating ventilation and air conditioning,
- power and light generator installation and maintenance,
- water supply,
- dumpster and waste removal services,
- environmental and health surveillance,
- fire-fighting services, and
- transportation mission support.

Task Order 157: Udairi Airfield

For task order 157 the contractor must provide base life support services including:

- fire-fighting and fire protection support services,
- equipment and vehicle maintenance,
- fire prevention and education, and
- fire and airfield maintenance and repair.

The contractor must also provide theater transportation mission support including:

- airfield operations and management services,
- flight dispatch and advisory services,
- area of responsibility map maintenance,
- forward refuel point service,
- air traffic control tower and facilities services, and
- weather observation and forecasting services.

Task Order 161: Test, Measurement, and Diagnostic Equipment

For task order 161 the contractor must provide all services, resources, and management necessary to provide calibration and repair services for the Southwest Asia test, measurement, and diagnostic equipment inventory.

Appendix C. Management Comments on Finding B and Our Response

Management Comments

The Executive Director, LOGCAP, provided the following comments on Finding B of the draft report.

Standard LOGCAP Performance Work Statement

The Executive Director, LOGCAP stated that the program office began developing the standard performance work statement for LOGCAP IV early in 2008. The Executive Director stated that the LOGCAP office in Kuwait established a team to develop a standard performance work statement for Kuwait, Iraq, and Afghanistan to ensure standardization across the theater.

Performance Work Statement for Kuwait

The Executive Director stated that LOGCAP-Kuwait began compiling input for the LOGCAP IV performance work statement on May 20, 2008. He stated that the DPD-Kuwait held regular meetings with leadership and unit CORs and officials to ensure that the updated document contained current operational information. The Executive Director stated that a team was formed to develop detailed performance work statements for the Kuwait task orders. The Executive Director also stated that LOGCAP-Kuwait hosted site visits, conducted briefs, and entertained vendor questions to provide each contractor the opportunity to conduct due diligence. The Executive Director stated that in July 2008, LOGCAP-Kuwait completed the performance work statements for Kuwait, which formed the basis of the LOGCAP IV performance work statement. He stated that LOGCAP-Kuwait successfully transferred the Kuwait task orders to the LOGCAP IV contract, demonstrating the thoroughness of the performance work statements issued and the contractors' understanding of the requirements. The Executive Director added that the basis for the Kuwait performance work statements was neither the tactics, techniques, and procedures document nor the LOGCAP III statement of work. He stated that, although the DPD-Kuwait provided an updated LOGCAP III statement of work to the military units, the units focused on developing the LOGCAP IV performance work statement instead.

Also, the Executive Director stated that the DCMA ACO participated for a time in the development of the LOGCAP IV performance work statement, but eventually stopped. He stated, however, that the ACO received updates regarding the progress made and issues identified.

Our Response

On September 23, 2008, the LOGCAP IV PCO stated that she was developing a standard performance work statement. We made repeated requests for a copy. It was not until after our exit conference with LOGCAP and DCMA officials in May 2009 that a copy was

provided, 7 months after our initial request. Moreover, it applied only to Afghanistan. The LOGCAP IV PCO stated that she was in the process of developing one for Iraq.

Unit officials, the DCMA ACO, and the LOGCAP III contractor told the auditors that the LOGCAP IV performance work statement was out-of-date and did not reflect current operations. We relied on statements by the DPD-Kuwait that he used the tactics, techniques, and procedures and the LOGCAP III statement of work to develop the performance work statement for the LOGCAP IV task orders. Therefore, there seems to be a disconnect between the DPD-Kuwait and the Executive Director.

Logistics Civil Augmentation Program Office Comments



REPLY TO
ATTENTION OF:

AMSAS-LC

UNCLASSIFIED

DEPARTMENT OF THE ARMY
HEADQUARTERS, US ARMY SUSTAINMENT COMMAND
1 ROCK ISLAND ARSENAL
ROCK ISLAND, IL 61299-6500

22 July 2009

MEMORANDUM FOR Department of Defense, Office of the Inspector
General, Acquisition and Contract Management [REDACTED]

SUBJECT: Logistics Civil Augmentation Program (LOGCAP) Official
Response to Department of Defense Inspector General (DODIG) Audit
of Transition Planning for the LOGCAP IV Contract (Project Number
D2008-D000AS-0270.000)

1. Non-concur with the report as written.
2. The report is not reflective of what transpired on the ground and during the transition of functions from the Kuwait LOGCAP III Task Orders to the newly competed and awarded LOGCAP IV Task Orders. The responses provided to this draft are to clarify the information captured by the DODIG team which had been previously provided during a meeting 13 May 2009.
3. While the DODIG team reviewed draft documents during their visit and prior to the actual transition, the documents provided were work-in-progress prior to the final transition plan being issued. The published document is a living document based on the conditions under which the transition occurs. The DODIG team visited the Kuwait Area of Operations in December of 2008 and was invited back to view the actual transition buildup with contractors, as well as to view the physical transition. Because of schedule conflicts, we were informed that it was not possible. Had their schedule permitted, they would have witnessed first-hand the interaction with the contractors, supported units, and oversight by the LOGCAP Deputy Program Director and Defense Contract Management Agency.
4. LOGCAP personnel assigned to Southwest Asia (SWA) confront daunting and even contradictory challenges in the performance of their duties. They are challenged to simultaneously compete, transition, and expand Forward Operating Bases to meet supported unit requirements, as well as to plan for the "responsible drawdown" of forces in Iraq. These simultaneous challenges are unprecedented; a heel-to-toe process not undertaken since World War II.

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SUBJECT: Logistics Civil Augmentation Program (LOGCAP) Official Response to Department of Defense Inspector General (DODIG) Audit of Transition Planning for the LOGCAP IV Contract (Project Number D2008-D000AS-0270.000)

a. Kuwait, a desert kingdom located on the Persian Gulf, is a small but relatively modern country with a modern transportation system. Kuwait poses a stable war effort and environment. The LOGCAP supports operations at three unique, safe locations under three separate task orders. Transferring work from LCIII to LCIV has been successfully completed.

b. Afghanistan

(1) Simultaneous operations in Afghanistan present a very different (perhaps the largest and most complex) challenge for US Forces in Southwest Asia and for the Program. These requirements are very substantial, even diametrically opposed to the environment elsewhere in SWA. Afghanistan is a remote, land-locked country with both harsh terrain and temperature extremes. The POTUS announced an increase of US Forces into an active combat zone in the presence of an active and dangerous enemy. US troop movement is dependent on a primitive road network and is largely dependent on helicopters and military transport aircraft. Existing LOGCAP performance contractors are often obliged to contract massive transportation requirements out to third party contractors at the same time that equipment is being re-allocated into country from Iraq, an action unprecedented in war.

(2) Operations today are supported by six LOGCAP III and four LOGCAP IV task orders. The transition of legacy LOGCAP III Task Orders to LOGCAP IV Task Orders is underway. The theater will ultimately require support to multiple US tactical and support units with most support provided by LOGCAP performance contractors.

c. Iraq

(1) Operations in Iraq may pose a different and complex set of challenges. Iraq is a relatively large country with a semi-modern transportation system. The environment remains dangerous with support services provided under two large LOGCAP III task orders. The impending responsible drawdown of US Forces complicates the transitioning from LOGCAP III to IV. Support is provided at numerous unique and often unsafe locations ranging in size from platoon to division-sized Forward Operating Bases.

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SUBJECT: Logistics Civil Augmentation Program (LOGCAP) Official Response to Department of Defense Inspector General (DODIG) Audit of Transition Planning for the LOGCAP IV Contract (Project Number D2008-D000AS-0270.000)

(2) Most of these locations and much of their related equipment will ultimately be transferred to the US Forces in Afghanistan, sent to US depots for refurbishment, sent to a Reset program, or provided to the Government of Iraq. Property accountability and its unique issues are challenges to the LOGCAP III to IV transition. The focus of US personnel is on base closures and decreasing the US war effort.

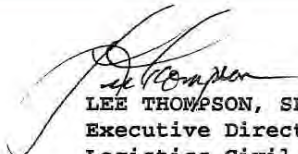
5. The report states that failure to follow the DODIG recommendations creates a chance that the Kuwait transition would be delayed. This did not occur and, in fact, the transition was completed ahead of schedule with full cooperation and involvement of supported units.

6. The following summarizes the LOGCAP official response to DODIG Audit of Transition Planning for the LOGCAP IV Contract (see enclosure).

- a. Finding A. Transition Planning - Non-concur
- b. Finding B. Implementing Cost-Control Methods in the Acquisition Plan - Non-concur
- c. Finding C. Oversight of Property - Non-concur
- d. Finding D. Oversight of Contractors - Non-concur



Encl
as


LEE THOMPSON, SES
Executive Director
Logistics Civil Augmentation Program

Department of Defense
Office of the Inspector General
Transition Planning for the Logistics Civil Augmentation Program IV Contract
Project No. D2008-D000AS-0270.000
June 26, 2009

Finding A. Transition Planning Recommendations

A. We recommend that the Executive Director, Logistics Civil Augmentation Program:

1. Direct the Commander, Defense Contract Management Agency International (DCMAI) to:

a. Clarify procedures to transfer property from the Logistics Civil Augmentation Program III contractor to the Logistics Civil Augmentation Program IV contractor in the Defense Contract Management Agency property plan.

A1a. Non-Concur. The US Army Materiel Command LOGCAP Executive Director issued the LOGCAP III to IV Transition Plan 23 Feb 09, which included Annex C (DCMAI Property Transition Management Plan). The DCMA Property Transition Management Plan effectively described the Federal Acquisition Regulation process and procedures for transferring property from an incumbent contractor to an incoming performance contractor. The process implies a transfer from one contractor to another, but DCMAI has agreed to amend the DCMAI Property Transition Management Plan to incorporate specific language, to make it clear that the transfer is from contractor to contractor, as sought by the DODIG team.

b. Finalize procedures to remove hazardous material and transfer warehouse operations.

A1b. Hazardous Material - Non-Concur. The intent of Annex C, DCMAI Property Transition Management Plan, is to provide strategic guidance to three different contingency areas of operation on government property transition. It is not practical, nor reasonable for the DCMAI Property Transition Management Plan to identify each Hazardous Material or Hazard Waste (HM/HW) that may be encountered in three different AOR countries and the subsequent processes/procedures of disposal for each country. The LOGCAP does not dispose of HAZMAT, rather the performance contractors maintain the HAZMAT yards. However, the DCMAI (International) Commander has directed that each Contract Management Office Commander develop a supplement to Annex C identifying their country specific Theater Fragmentation Order and include them in their process/procedures.

Although the LOGCAP IV transition has been successfully completed for Kuwait DCMA has summarized DCMA Kuwait's process as follows: Any contractor having to dispose of HW will be directed to contact the Combat Support Associates (CSA) who has the HW/HM contract with the Combat System Support Center – Kuwait (CSSC-K) Area Support Group – Kuwait (ASG-KU). CSA is responsible for all HM/HW disposals on all camps in Kuwait. The ASG-KU through its CSSC-K contract has developed policies and procedures that will meet Overseas Environmental Baseline Guidance Document (OEBGD) requirements and Host Nation requirements as well as Department of the Army senior commands directives and policies that directly reflect on the ASG Commander's responsibilities to carry out an environmental program. This process will be DCMA Kuwait's standard operating procedure for HM/HW and will be used for any future contract transition efforts.

A1.b Warehouse Operations: Non-Concur: With reference to the warehouse operations, Team LOGCAP in the transition process ensured that the Incumbent Contractor would control the material warehouse until late in the transition process. The Incoming Performance Contractor would not need access to the warehouse for routine maintenance material because prepositioned material was transferred along with the equipment at the site controlled by the Incoming Performance Contractor.

Once the property is transferred to the Incoming Performance Contractor, the Incumbent Contractor has no right to use that property. If the Incumbent Contractor has other LOGCAP III Task Orders, any property required would have been identified and screened out prior to the "contractor to contractor" transfer.

2. Finalize all procedures in the comprehensive transition plan and include the role and responsibilities of the Serco contractor in the comprehensive transition plan.

2. Non-Concur. The role of Serco personnel is defined in its contract with the now Rock Island Contracting Center. The direction given to property analysts is by a member of the US Government and Serco's input is strictly in an advisory capacity. Serco cost analysts providing Independent Cost Estimates to a member of the US Government for final review and sign off is not considered to be an Inherent Government Function. However, given the lack of understanding of the DODIG team the roles and responsibilities will be reviewed and if required an adjustment to the transition plan will be developed.

3. Distribute the most up-to-date, signed and dated copy of the comprehensive transition plan to all personnel involved in the Logistics Civil Augmentation Program transition after the changes in Recommendations 1. and 2. are made to the plan.

3. Concur WITH INTENT, NON-CONCUR WITH CONCLUSIONS. The Operational Transition Plan (OPLAN) provided during the period of this DODIG review was updated and had been distributed as indicated in the report. The operational transition plan is a living document and will be changed as needed to reflect the conditions on the ground. To expect the operational transition plan to be a rigid document under extreme conditions is unrealistic and does not reflect operating in hostile or changing wartime environments. In fact, today, based on the lessons learned from the successful Kuwait transition the operational transition Plan is being updated to reflect those lessons. The updated operational transition plan will be provided to ALCON involved with the Afghanistan and Iraq transition and will also be changed as lessons are captured. This updated operational transition plan will be complete on 04 Sep 2009.

4. Validate that the Deputy Program Directors in Iraq and Afghanistan:

a. Execute their roles and responsibilities for transferring services outlined in the comprehensive transition plan.

4a. CONCUR WITH INTENT BUT NOT WITH CONCLUSION. The Executive Director, LOGCAP and the LOGCAP Transition Team did validate the DPD Kuwait's role and responsibility and through the weekly transition calls with the DPD's in Afghanistan and Iraq is satisfied with their understanding of their transition roles and responsibilities. Further, the transition is conditions-based and is reflective of the country in which the transition is occurring. What has not been captured by the DODIG team is the ever-changing conditions and planning necessary to accomplish a non-interfering transition in a wartime environment. The roles and responsibilities of the Deputy Program Directors in Iraq and Afghanistan will also be updated and operational transition plan will be complete on 04 Sep 2009.

b. Develop a country-specific transition plan that details the role and responsibilities for transferring from the Logistics Civil Augmentation Program III contractor to the Logistics Civil Augmentation program IV performance contractors.

4b. Concur. The DPD's will assume responsibility for the transition in their respective countries following the Post Award Conference (PAC) for each award. Further, to assist the DPD's it is the intent of the Executive Director to deploy members of the LOGCAP IV Transition Team to Iraq and Afghanistan. Additionally, the transition plan will reflect the direction of the US Military Commander's (MNF-I & USFOR-A) authoritative representative on the ground, based on conditions, e.g hostile, elections. The DPD's will complete a country specific tactical transition plan 60 days after the PAC.

c. Include the Defense Contract Management Agency and the military units in country in the planning process for transferring Logistics Civil Augmentation Program work so that warfighter operations will not be interrupted.

4c. Non-Concur with the statement that infers this was not accomplished. The LOGCAP did include Defense Contract Management Agency and the supported units in the planning process. The examples of this inclusion are: the Executive Director met with senior officers on the ground explaining the process and the rationale as to why we could not transition, e.g. protests. Joining him in these meetings was the DPD-Kuwait and his point of contact from the supported unit. The following are examples:

- DPD-Kuwait began working with Supported Units, DCMA and Rock Island in the fall of 2007 to develop the LOGCAP IV Performance Work Statements (PWS). They were completed May-Jun 08 and submitted to LOGCAP IV PCO.

-DPD-Kuwait provided written notification dated 12 Jun 08 entitled Kuwait Site Visits for Transition to Fourth Iteration of LOGCAP, to supported units. Government-only Site Visits (GSV) conducted 11- 13 Jul, teams consisted of DPD-Kuwait, DCMA-Kuwait, RICC PCO, Legal, LOD-Belvoir and Supported Units for Kuwaiti sites.

- Contractor Site Visits (CSV) conducted 14 - 18 Jul 08; teams consisted of DPD-Kuwait, DCMA-Kuwait, RICC PCO, Legal, LOD-Belvoir, Supported Units and Contractors for Kuwaiti sites. Primary goal was to discuss the task order scopes and tour the task order locations. Site visits were conducted with LOGCAP, DCMA, and the Supported Units. Due to scheduled rotations, the outgoing units conducted the site visits, while the incoming units executed the transition.

-On 2 Aug 08, on behalf of CG AMC, CG ASC and LOGCAP Executive Director, Deputy Program Director-Kuwait via email updated MG Anderson, USARCENT DCG, BG Bunch, 1st TSC DCG, BG Frink, 311th CG and subordinate units on the LOGCAP IV transition progress. DPD-Kuwait provided the updated timeline depicting the Kuwait task orders based on supported units' operational requirements and the Theater milestones for Afghanistan and Iraq. DPD-Kuwait informed all that the next milestone was to release the request for proposals to contractors NLT 26 Aug 08.

-Kuwait LOGCAP IV Transition Interim Process Reviews (IPRs) began 8 Oct 08 and were conducted weekly by DPD-Kuwait. IPRs were held with DPD-KUWAIT, DCMA, Supported Units and LCIII Contractor to ensure that the supported units understood the transition process and what to expect from the LCIII Contractor and the Government for a seamless transition. It was expressed during several IPRs by both the DPD and LCIII contractor that there would be no degradation in mission. There was total awareness on behalf of the support units that no conflicts existed between proposed plans and their current mission. Transition plans were briefed to supported units for their concurrence and approval prior to being finalized. Upon review, adjustments to transition plans were made to accommodate concerns or upcoming missions. Supported Units were not always in attendance during IPRs.

-DPD-Kuwait held several meetings with Kuwait AOR supported units, 1st Theater Support Command, 311th Expeditionary Support Command, 420th Movement Control Brigade, 1186th TTB; 164th TAOG for Udairi and TMDE in support of AMC, to discuss the way forward for LOGCAP IV transition. DPD-Kuwait provided proposed transition plans to the 311th ESC 29 Oct 08 to be forwarded to the appropriate units. Briefings were also conducted by LCIII contractor to the supported units. Awards for the task orders were made 7 Nov 08 for the Kuwait AOR and 19 Nov 08 for Udairi and TMDE, all of which were protested to GAO. During DODIG interviews, DPD-Kuwait commented that their comments in reference to including units in the planning phase when more specific information was known about the transition process was in reference to the protest period, not the overall planning process. Until the decision of the GAO on the protest, no additional information could be provided on transition execution.

- The DODIG team was invited to return after the protest period and observe the transition projected to begin after 15 Feb 09, but declined stating that their schedule could not accommodate a return visit. GAO rendered a decision on the Kuwait AOR 10 Feb 09 in favor of the Government. The LOGCAP IV PCO issued a Notice to Proceed to the successful contractor, DynCorp, on 12 Feb 09. On 23 Feb 09, GAO rendered a decision in favor of the Government on Udairi and TMDE and LOGCAP IV PCO issued a Notice to Proceed.

-The official transition period for the three task orders was 23 Feb 09- 12 Jun 09. The task orders transitions were completed as follows: 27 Apr 09 for TMDE, 19 May 09 for Udairi, and 6 Jun 09 for Kuwait AOR. This was a complete Team effort involving LOGCAP, DCMA, Supported Units and Contractors. Transitions were accomplished IAW the LOGCAP Operations Order and Plan, which provided a guideline for execution of all key elements, property and mission transfer. These were executed without any adverse impacts to mission support.

-The keys to the successful completion were joint meetings, DCMA property transfer plan, open communication, and the flexibility built in the plan, which allowed for adjustment for Supported Units' ongoing mission execution. Udairi transitioned while the Aviation Battalion executed deployment execution for a combat unit moving into Iraq, without any mission degradation.

-LOGCAP III to IV transfers in Afghanistan: Over the last six months, there have been numerous meetings between the DPD-Afghanistan, DCMA, and the warfighter to discuss the LOGCAP III to IV transition and its operational impact. In early August 2009 there will be a Post Award and Transition Conference in which DCMA is a key participant. The purpose is to develop and integrate an Afghanistan-specific transition plan that details the roles and responsibilities of the DPD-Afghanistan, DCMA, contractors, and the warfighter. By 30 Sep 09, the DPD-Afghanistan will complete the tactical transition to transfer services from the LOGCAP III contractor to the LOGCAP IV performance contractors.

Department of Defense
Office of the Inspector General
Transition Planning for the Logistics Civil Augmentation Program IV Contract
Project No. D2008-D000AS-0270.000
June 26, 2009

Finding B. Implementing Cost-Control Methods in the Acquisition Plan

B. We recommend that the Executive Director, Logistics Civil Augmentation Program:

1. Require the procuring contracting officer to:

a. Complete the standard performance work statement for the Logistics Civil Augmentation Program before competing the transfer of task orders for Iraq and Afghanistan.

B1a. Non-Concur. We disagree with the statement that the Executive Director of the LOGCAP “should require the procuring contracting officer to complete the standard performance work statement ...” The development of the performance work statement is an inherently programmatic function. The contracting officer’s role is to assist in this process. This we have done.

We concur with the recommendation to implement standardization in the requirements documents where it is feasible and beneficial. From the period November 2008 through February 2009, the RICC was an active participant in the development of a standardized performance work statement, and the driving force behind the development of a corresponding pricing matrix concept which became the basis for the Afghanistan North / South AOR task order competition. On 7 Jul 09, two task orders were awarded on the basis of this solicitation. We acknowledge the value of incorporating a standardized performance work statement (PWS) for those LOGCAP services which are recurring in nature, and it is our intention to deploy a similar approach for the Iraq base life support requirements. While there are obvious benefits to be derived from the use of a standardized PWS, the concept is not suited to every LOGCAP requirement. We spent substantial time and effort studying this issue during the development of the Afghanistan LOGCAP requirements package, and we concluded that it is base life support requirements which most readily lend themselves to standardization. The requirements in Kuwait are resistant to standardization due to their highly specialized and varied nature.

b. Use historical data from prior Logistics Civil Augmentation Program work to complete a pricing model to assist units in developing requirements.

B1b. Non-Concur. The Afghanistan task order model provides a similar benefit using a different tactic. The Afghanistan task orders contain competitively established price matrices from which the supported units may execute requirements as needed. Any service in the price matrix can be activated or deactivated at a known price without the need for price negotiation.

c. Establish a plan to identify goods and services within the task orders that could be acquired using a firm fixed price, and develop firm-fixed-price task order requirements.

B1c. Concur. We agree with the recommendation to seek opportunities to use firm fixed priced task orders where feasible. We would emphasize, however, that the suitability of a firm fixed price contract type is not driven so much by PWS standardization, as it is by the stability of the requirement itself. A firm fixed price instrument is preferred when the requirement is sufficiently stable to allow a contractor to predict with reasonable reliability the volume and content of the work to be performed.

While we remain vigilant in seeking opportunities to apply some form of fixed pricing to the LOGCAP requirements, the fluidity of operations in the Afghanistan and Iraq AORs for the foreseeable future dictates the continued use of predominantly cost type instruments. Having said this, we have engaged with JCC-I to identify services which may be suitable for fixed priced non-LOGCAP contract vehicles. These alternatives will be considered as we formulate our base life support competition plan for Iraq.

The LOGCAP team is also actively engaged in initiatives to improve the pricing relating aspects of our contracting process. Where the requirements are not sufficiently stable to support the use of fixed pricing, we are using service price matrices to preserve to the maximum extent possible, the price related benefits of the competition. As indicated previously, this feature allows the supported unit to select standard LOGCAP services from a priced list throughout the life of the task order minimizing administrative burden, holding in place competitive prices for the fee establishment purposes, and establishing a benchmark for cost control measurement.

2. Validate that the Deputy Program Directors coordinate with the Defense Contract Management Agency and the military units in country when developing performance work statements requirements to guarantee that they accurately reflect warfighter missions.

Revised

2. Non-Concur. Warfighter missions are not entered into the development of the PWS, rather their requirements for services are captured based on the conditions and the services required.

The IG Report states that the LOGCAP PCO did not develop a standardized performance work statement before issuing the three Kuwait task orders (p. 10).

page 14

PWS standardization commenced in early 2008, at least a year prior, and the resultant standardized PWS was used in the development of the LOGCAP IV task orders. The LOGCAP Kuwait PMO established a team to develop the PWS for Kuwait, Iraq and Afghanistan to ensure PWS standardization across the theatre. LOGCAP was originally notified of the initiative to standardize PWSs across the theatre in an email from LTC Kerry Carlos, 12 Jan 08, serving as a LOGCAP Support Officer, Rock Island, assisting with LC IV PWS development.

DCMA and contractors in Kuwait stated that the LOGCAP IV performance work statement was very broad, which allowed the contractor to make assumptions about the requirements (p. 10).

page 14

The LOGCAP PMO PWS development team produced detailed PWSs for the Kuwait task orders. As with any solicitation, potential contractors made assumptions and sought clarification. In response, LOGCAP-KU hosted site visits, conducted briefs and entertained vendor questions in order to provide each contractor opportunities to conduct vigorous due diligence. The true test of the thoroughness of the issued PWSs and the contractors' understanding thereof is reflected in the responsiveness of the proposal and success of the transition. LOGCAP-KU has successfully transitioned all Kuwait Task Orders to LOGCAP IV.

LOGCAP IV Performance Work Statement

In this section, the report states that “. . . absent a standardized performance work statement the DPD-Kuwait assisted in the development of the performance work statement for the LOGCAP contractors in Kuwait (p11).

page 15

As previously stated, the PWS standardization initiative was in process months prior to the completion of the Kuwait PWS. The PWS development project was a collaborative effort between the LOGCAP PMO PWS development team and LOGCAP-KU team, through open lines of communication to all appropriate parties.

The DCMA Administrative Contracting Office (ACO) stated that the DPD-Kuwait did not request input from DCMA when developing the performance work statement. Regardless, the DCMA official stated that they provided the DPD-Kuwait with comments and corrections for the performance work statement. However, the DCMA official stated that the DPD-Kuwait did not make the changes.

Involving all units receiving support under the LOGCAP contract, LOGCAP-KU began the process of updating the LC III Statement of Work and compiling current operational input for the LC IV PWS on 20 May 2008. Weekly / biweekly meetings were held with leadership, COR's and other Unit representatives on the ground to ensure the capture of current operational input. In addition, the assigned LMS worked one-on-one with Unit points of contact. During this same period, a RIP/TOA was underway for the Movement Control Battalion (MCB). LOGCAP-KU worked directly with the outgoing MCB official, who had been on the ground for the last year, to ensure that critical information on current MCB operations at the various nodes was captured. The resultant update and compilation, which formed the basis of the LC IV PWS, as provided to the Rock Island PWS Development Team in Jul 08. The basis for the PWS was not, as stated in the report, "Tactics, Techniques, and Procedures and statements of work . . . that had not been updated in over a year and did not reflect current operations". The DCMA Official working this task order wanted to update the current LOGCAP III SOW by incorporating all outstanding Administrative Change Letters with which the contractor and DCMA were working. DPD-Kuwait provided that input to the units, however, the units did not sign off on the updated LOGCAP III SOW, but rather focused on LOGCAP IV PWS development, which included all the changes.

The LOGCAP-KU ACO was invited to participate in LOGCAP IV PWS development / requirements refinement meetings with Supported Units by email dated 17 May 08 from 311th Expeditionary Sustainment Command (ESC) Contracts Management Officer-in-Charge (attached). The ACO initially attended these sessions but her participation eventually ceased. During the early sessions, the ACO offered changes / corrections to the Postal mission. However, changes were not accepted by the Unit as the changes/corrections requested were at odds with the postal regulations. Also, the Postal mission was in the process of transferring from Task Order 147 (Kuwait) to Task Order 139 (Iraq) and the Unit felt it best to leave these decisions to the receiving leadership in Iraq and to the TO 139 ACO. Through weekly discussions, ACO was updated on progress and issues by the LMS assigned to TO 147.

The initial LOGCAP IV PWS developed ICW DCMA and the supported units were forwarded to LOGCAP IV PCO Jun 08, who provided it to the LOGCAP IV performance contractors for review and comments in preparation for the July site visit. LOGCAP-KU briefed 311th Support Operations Officer (SPO) on the resulting LOGCAP IV PWS update July 08. 311th ESC SPO signed off on the acquisition review board packet Aug 08, which included the approved unit's LOGCAP IV PWS.

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Finding C. Oversight of Property

C. We recommend that the Executive Director, Logistics Civil Augmentation Program require that the Commander, Defense Contract Management Agency International ensure that a property administrator document and maintain an accurate list of Logistic Civil Augmentation Program IV property and equipment by task order to ensure accountability for the property.

C. Non-Concur. Pursuant to the Government Property Clause and FAR Subpart 45.105 in effect at the time the LOGCAP III contract was awarded, the contractor's records are the official Government property records. This clause is still valid in all LOGCAP III contracts. FAR 45.105 then in effect prohibited the LOGCAP program office from keeping duplicate records:

FAR 45.105 Records of Government property.

(a) Contractor records of Government property established and maintained under the terms of the contract are the official Government property records. Duplicate official records shall not be furnished to or maintained by Government personnel, except as provided in paragraph (b) of this section.

(b) Contracts may provide for the contracting office to maintain the Government's official Government property records when the contracting office retains contract administration and Government property is furnished to a contractor—

- (1) For repair or servicing and return to the shipping organization;
- (2) For use on a Government installation;
- (3) Under a local support service contract;
- (4) Under a contract with a short performance period; or
- (5) When otherwise determined by the contracting officer to be in the Government's interest.

FAR Part 45, dated June 2007, no longer includes this direction in FAR 45.105. LOGCAP IV contracts contain the June 2007 FAR Part 45 clause 52.245-1 and the responsibility for property management is covered therein.

DCMA provides contract property administration services to the LOGCAP Program Office as described in FAR Subpart 42.201 & Part 45. The contractor is required to control the use, preserve, protect, repair and maintain Government property in accordance with the Government Property Clause. The DCMA Property Administrator performs a Property Management System Analysis annually on each LOGCAP system segment to validate that the contractor is performing in accordance with the contract. It would be out of DCMA's scope to maintain a listing of the government property held by each LOGCAP contractor.

Defense Contract Management Agency International Comments



IN REPLY
REFER TO

DEFENSE CONTRACT MANAGEMENT AGENCY
DEFENSE CONTRACT MANAGEMENT AGENCY INTERNATIONAL
6359 Walker Lane, Suite 220
Alexandria, Virginia 22310-3259

DCMAI-C

July 24, 2009

MEMORANDUM FOR DEPUTY ASSISTANT INSPECTOR GENERAL, ACQUISITION
AND CONTRACT MANAGEMENT, DEPARTMENT OF
DEFENSE INSPECTOR GENERAL

SUBJECT: Response to Draft Report, DoD Project No. D2008-D000AS-0270.000,
Transition Planning for the Logistics Civil Augmentation Program IV Contract

In accordance with your request of June 26, 2009, we have reviewed the draft report concerning DCMA Kuwait. We have restated Recommendation D and provide our comments below.

D. We recommend that the Commander, Defense Contracting Management Agency International:

1. Identify a process to hold the quality assurance representative and contractor officer's representatives accountable for not completing surveillance requirements required by the delegation matrix and Federal Acquisition Regulation 42.302, "Contract Administration Functions."

Non-concur: Defense Contract Management Agency International (DCMAI) non-concurs with the recommendation to identify a process to hold quality assurance representatives and contracting officer's representatives accountable for not completing surveillance requirements because DCMA Kuwait already has processes in place to hold personnel accountable. The Defense Contract Management Agency (DCMA), Contract Management Office (CMO) Iraq/Kuwait, captures monthly audit metrics for both the Quality Assurance Representatives (QARs) and the Contracting Officer Representatives (CORs) to include the number of audits scheduled against the number of audits performed. The frequency of audits scheduled is based upon a risk assessment of the services being provided. The lead QAR provides monthly metrics to the DCMA Kuwait Commander on surveillance requirements. Further, inherent in the position of DCMA Kuwait Commander is the authority to take action against personnel who are not adequately performing in their positions and to manage his mission with the resources made available. Also, DCMA International (DCMAI) is provided weekly situational reports for analysis that include status of audits completed versus those scheduled.

2. Validate that the quality assurance representative develops a monthly schedule of services planned for review and that reviews are completed as required.

Non-concur: DCMAI non-concurs with the recommendation to validate that QARs develop a monthly schedule of services planned for review and that reviews are completed as required because DCMA Kuwait already validates that QARs develop a monthly schedule of services planned for review and ensures reviews are completed. However, completion of reviews may be impacted based upon required service changes and troop movements. Every DCMAI Contingency QAR is required to develop a monthly schedule of surveillance reviews for each contract under their cognizance. The schedule is based upon the size, complexity, risk, geographical span of the service being evaluated and contract requirements. Each QAR is required to maintain metrics of the number of audits scheduled versus the number of audits performed and all audit results are posted to a shared database. QAR surveillance metrics are provided to the DCMA Kuwait Commander on a monthly basis. If surveillance is not being performed in accordance with the monthly schedule, the lead QAR or Commander will review the circumstances and determine the appropriate action required to take to ensure mission completion. DCMA Kuwait will be reminded to ensure QARs are developing their monthly schedules and completing their reviews.

3. Require the quality assurance representative to provide additional training to contracting officer's representative on their Logistic Civil Augmentation Program responsibilities.

Non-concur: DCMAI non-concurs with the recommendation to require the QAR to provide additional training to CORs on their Logistics Civil Augmentation Program (LOGCAP) responsibilities because Kuwait QARs already provides additional training to all newly assigned CORs who provide oversight on DCMA Kuwait delegated contracts. COR training is provided at both Camp Arifjan and Camp Buehring for CORs assigned to contracts in Kuwait. Training is also provided in Kuwait for CORs that will provide COR oversight for the LOGCAP III Task Order 159 in Iraq. DCMA specific LOGCAP training is provided in a two-hour block of instruction as part of the Army Contracting Command (ACC) three-day COR training program. The entire subject training is required prior to the ACO appointment of the COR. However, the DCMA Kuwait Commander will be tasked to ascertain the adequacy of the training provided to the CORs and report on any recommended training improvement areas.

4. Assess the workload of the Logistic Civil Augmentation Program contracting officer's representative and identify actions that can be taken to balance workload demands.

Non-concur: DCMAI non-concurs with the recommendation to assess the workload of the LOGCAP CORs and identify actions that can be taken to balance workload demands because DCMA International and DCMA Kuwait already regularly review workload demands as mission requirements change and adjust resources to meet the changing requirements. Contracting and Program organizations are continually reminded to ensure

COR requirements are sourced prior to delegating any contracts to DCMA. Additionally, as part of the RJP/TOA process, supported units review COR oversight workload demands and assign necessary resources to ensure adequate COR coverage. If additional surveillance requirements cannot be adequately supported with existing resources, the DCMA Kuwait Commander coordinates a request for additional resources through his chain of command or engages with the supported unit commander to provide additional COR support.

5. Instruct members of the Logistics Civil Augmentation Program Performance Evaluation Board to review, in advance, contracting officer's representatives' performance summary reports and not to provide numerical ratings to contractors when performance summary reports are not accurate.

Concur: All performance evaluation board (PEB) data is provided and then scored by the board members in accordance with the Award Fee Evaluation Board (AFEB) guidelines. Score roll ups come from the PEB and not the CORs. No numerical scores are to be provided to the contractor. Personnel will be re-instructed on the PEB/AFEB process. Also, Rock Island Contracting Command (RICC) is in the process of amending the AFEB process for LOGCAP IV. It is our understanding that RICC changes to the AFEB process will address the concerns associated with this recommendation.

6. Postpone any meeting of the Logistic Civil Augmentation Program Performance Evaluation Board when information that the Defense Contracting Management Agency quality assurance representative and contractor officer's representatives have to present is not consistent or accurate.

Concur: DCMAI and DCMA Kuwait fully concur with this recommendation as this has always been an option for a Commander. It is critical that accurate data be reflected at each PEB. DCMA Kuwait has a process for requesting performance evaluation inputs from the CORs and QARs. This information is reviewed by the respective ACO and Commander each month for consistency and accuracy. DCMA Contingency CMOs will be reminded of the importance of obtaining accurate, factual data for their PEBs.

7. Direct the Logistic Civil Augmentation Program quality assurance representative to:

a. Update the review checklists to contain current information from the Logistics Civil Augmentation Program statements of work and military units' documents and to include a section for comments.

Concur: As an integral part of the transition from LOGCAP III to LOGCAP IV, the QAR developed a surveillance checklist from the LOGCAP Performance Work Statement. The CORs will use the same checklist for their areas of responsibility. These updated checklists include a section for comments.

b. Conduct and document the required number of reviews each month.

Non-concur: DCMAI non-concurs with the recommendation to direct the LOGCAP QAR to conduct and document the required number of reviews each month because this requirement exists and is being accomplished as stated earlier. No additional QAR direction is required. DCMA Kuwait will continue conducting and documenting the required number of QAR reviews each month.

c. Validate that contracting officer's representatives complete the required number of surveillance reviews each month.

Concur: DCMA Kuwait will ensure QARs review COR surveillance audits and also do desk audits of CORs on a regular basis. For example on one of DCMA Kuwait's higher risk contracts, over the last three months there have been 127, 119, and 111 audits completed respectively, and 123 audits required. This equates to an average of 97% of the required audits for this contract.

d. Accompany contracting officer's representatives during the required number of contractor inspections to ensure consistent evaluations of contractor performance.

Non-concur: DCMAI non-concurs with the recommendation to direct LOGCAP QARs to accompany CORs during the required number of contractor inspections to ensure consistent evaluations of contractor performance. The COR structure in Kuwait is much more advanced than other areas in Southwest Asia. There is a pyramidal COR organizational structure which places a COR above numerous Assistant CORs (ACOR). Each of these ACORs feeds their audit data to the COR, in addition to providing a copy to the QAR. The COR provides a monthly performance evaluation to the QAR at the end of the month in accordance with the individual Quality Assurance Surveillance Plan.


DCMA Kuwait currently has 103 CORs, 152 ACORs, and 10 QARs. Each QAR manages an average of 25 COR/ACORs. The QARs perform an average of 25 audits per month, including 5 to 10 COR joint audits per month. This is in addition to the 5 COR surveillance audits per month. QARs are also required to perform initial and recurring COR training. CORs perform various types of surveillance, to include inspections, monitoring, random sampling, and process audits on eleven military installations within Kuwait. These are often unscheduled and done as part of the COR's other mission-related duties throughout the country. It is neither practical nor feasible for a QAR to accompany a COR during the COR's required number of inspections per month. However, there is a requirement for QARs to conduct a minimum amount of joint audits with their CORs. DCMA Kuwait requires that QARs conduct a minimum of five joint audits per month with the CORs to ensure consistent evaluations of contractor performance.

Revised

e. Review contracting officer's representatives' performance summary reports to ensure that the written assessments are accurate and indicate the section of the contract's statement of work being assessed.

Non-concur: DCMAI non-concurs with the recommendation because DCMA Kuwait already collects all COR audit data and performance summary reports into a consolidated database, and the reports are reviewed for accuracy by the ACO, the lead QAR, and the Commander. Every input includes the applicable SOW paragraph being evaluated.

My point of contact for this action [REDACTED]


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Commander



Inspector General Department of Defense